

Farm Business under Modern Conditions: Structural Challenges and Governmental Support

Negocio de granjas en condiciones modernas: desafíos estructurales y apoyo gubernamental

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ABSTRACT:

The paper explores issues of farm enterprises, since their products contribute significantly to the total volume of agricultural output. The aim is to identify the trends and managerial development potential based on the implementation of state support for agro-industrial sector. The statistical significant economic indicators and dynamics in 2000-2017 were studied in the Don area. Structural changes in the farming sector that have occurred over the period 2000-2017 were revealed. Authors demonstrate the role of governmental support in solving food problems, including import substitution.

Keywords: farm enterprises (FE), agriculture, rural cooperation, governmental support for agricultural producers, import substitution

RESUMEN:

El artículo es dedicado a los problemas relacionados con las granjas. El observatorio – la identificación de las tendencias y el potencial del desarrollo de las granjas con el apoyo estatal. Se investigaron las estadísticas de los indicadores económicos significativos de la industria agrícola, su dinámica y los cambios estructurales en el Don de 2000-2017. Los autores demuestran la necesidad de apoyo estatal al sector de granjas en el contexto de la sustitución de importaciones.

Palabras clave: granjas campesinas (agricultores); región del Rostov; agricultura; cooperación rural; apoyo de los productores de agricultura; sustitución de importaciones

1. Introduction

The current state of the Russian economy and issues of food safety dictates the need to provide the population with Russia-made food (Fritz et al., 2013). The import substitution policy in Russia is aimed at ensuring the sustainable development of domestic food and raw stock production sufficient to ensure the national food independence (Griewald, 2018; Matyukha, Voigt and Wolz, 2015), increasing the competitiveness of domestic goods in the national and international markets by stimulating technological modernization of production, strengthening the financial sustainability of agricultural organizations, increasing the efficiency of resource use in agriculture (Wengle, 2018). Import substitution is also of social importance, since in the agro-industrial sector it is actively creating new jobs in the country (Unay-Gailhard, Bavorová, Bednaříková and Ponkina, 2018). Foodstuffs and agricultural raw materials make up 15% of total imports in Russia. At the same time, Russia has powerful agricultural potential and a capacious consumer market.

In Russia, over the past few years, the state and the population have increased their interest in the development of agriculture. First of all, this is because of sanctions and pressure from Western countries in connection with Russia's foreign policy (Rausser and Zilberman, 2016).

This situation has created a significant potential for business continuity and import substitution in the national agricultural sector (Kurakin and Visser, 2017; Wolz, Golovina, Nilsson and Hess, 2016) and in the Rostov Region (Patrakeyeva and Nozhkina, 2016). The Rostov Region is one of the pilot regions for the development of production of import-substituting products. The issue of the development of import substitution was taken up by the Rostov Region after the introduction of a ban on the import of some products from the US and EU countries. According to the Ministry of Economic Development of the Rostov Region, only 7.8% (about \$170 million) of the total food imports of the region were subject to the ban, which gives a significant incentive to local producers (Gerasimova, Nesterenko and Tkachenko, 2015).

The most urgent in view of the ban on the import of fruits and vegetables from the EU countries is the issue of import substitution in vegetables, including greenhouse (Maslova, Zaruk, Fuchs and Avdeev, 2019).

In order to solve these problems, Russia has defined a range of topical managerial issues related to the support and further development of the AIS. At the same time, much attention of governmental support is focused on FEs as they are among the most mobile and responsive business entities in the agricultural sector to solve the food problems.

Having a huge potential for the development of the agro-industrial sector, Russia is not fully provided with own-made animal products, vegetables, fruits, and berries. Solving this problem requires a competent policy aimed at overcoming infrastructure limitations in agriculture, finding affordable financial resources for the production growth (Babetskaia-Kukharchuk and Maurel, 2004; Vertakova, Plotnikov and Culicov, 2015).

The Rostov Region is one of the largest agricultural regions of the Russian Federation. In the territory of 100 thousand square kilometers, 4.2 million people live today, including one-third in rural areas – 1.3 million people. The share of the Rostov Region in the total area of farmland in Russia is 3.9%. By the area of farmland and the area of grain crops, the region ranks 2nd in the Russian Federation, in terms of arable land fertility – 10th. More than 1.4 thousand agricultural organizations of all types of ownership, 8.2 thousand farming enterprises (FEs) and individual entrepreneurs, about 793 thousand personal subsistence farms are engaged in agricultural production. The share of agriculture in the gross regional product of the Rostov Region in 2017 was 14.2%.

The Rostov Region has been ranked 2nd among Russian regions in the agricultural production for a long time, being one of the leaders in gross yield of grain, sunflower, and other crops. According to the results of the All-Russian Agricultural Census 2016, the Rostov Region ranked first among the regions of Russia in the harvest of oilseeds (Rostovstat, 2018). In 2018, the Rostov Region took the fifth place in the Russian Federation and the second place in the Southern Federal District in milk production, the region's share in the national volume of milk production being 3.5%.

Today, the share of agriculture in the Rostov Region in Russian agricultural production is 5%, and in the Southern Federal District – 30%. Thus, the Rostov Region is one of the main regions of the Russian Federation capable of ensuring food security of Russia. The national food security is currently based on the import substitution of important products such as vegetables and meat (Semenenko, Afanasieva and Kaplunova, 2018).

2. Methods

In the study below, the methods of economic and statistical analysis, synthesis and generalization were used to study the trends and characteristics of the development of the Rostov Region's farming enterprises. An analysis of the dynamics of the number of farming enterprises and land plots allocated to the Rostov Region's farming enterprises for the period from 2000 to 2017 and that of financial support for farmers and the development of rural cooperation in the Rostov Region from the federal budget for the period from 2019 to 2024 were made.

Data

The empirical base of the study was the state statistics, the results of the 2016 All-Russian Agricultural Census; the data presented in regional statistics of the Territorial Body of the Federal State Statistics Service for the Rostov Region (Rostovstat, 2018). As an information base of the study, materials were also used on the National Project "Small and Medium Businesses and Support for Individual Entrepreneurial Initiatives" (Presidium of the Presidential Council on Strategic Development and National Projects, 2018) and the Federal Project "Creating a Support System for Farmers and Rural Development Cooperation" (Project Committee for the Main Direction of the Strategic Development of the Russian Federation, 2018).

3. Results

Currently, the Rostov Region annually produces more than 610 thousand tons of vegetables, with its own demand of 570 thousand tons. The increase in import substitution at the expense of the Don area's vegetables will help the construction of greenhouse complexes. The area of greenhouses in the Rostov Region is only about 30 hectares. This allows growing only 14-15 thousand tons of vegetables per year.

Another important direction in import substitution is the growth of livestock production. Currently, the Don region provides itself with raw materials for the production of meat at 70%.

In the Rostov Region, in January and February 2018, livestock and poultry production in live weight increased by 38% compared to the same period last year, Rostovstat reports. According to Rostovstat, households of all categories produced 75.6 thousand tons of livestock and poultry for slaughter in live weight. Milk production also showed a positive trend – 95.7 thousand tons, 2.8% more than a year earlier. There were 307.8 million eggs received, which is 14.5% less than in 2017. The number of cattle in the farms of the region increased by 1.9% to 597.4 thousand heads, the number of cows increased by 2.9%.

The number of pigs decreased in 2017 compared to the previous year by 8.6% and amounted to 375.9 thousand animals. The number of goats and sheep increased by 1.2% to 1.21 million animals. Thus, the development of animal husbandry is becoming a priority for the Rostov Region.

In 2015, grants in the amount of 55 million rubles from the federal and regional budgets were allocated to this business in the Rostov Region. Support for agricultural producers was provided within the framework of the departmental target program "Development of Beef Cattle Breeding". Thus, it can be noted that governmental financial support in the Rostov Region has positive results.

Representatives of small agribusiness make a significant contribution to the development of the agroindustrial sector of the region along with major producers.

In general, for the Russian Federation, as well as for the Rostov Region, the creation of a qualitatively new sector of agricultural production – farming enterprises' economy based on the principles of economic independence and private ownership of the production facilities and products made – was of great importance in the early 1990s. To date, farming enterprises have occupied a certain niche in the multifaceted agricultural production and have declared themselves as a really existing new form of management in the agrarian sector. Farming today is a dynamically developing part of a multi-structured agroindustrial sector, a serious productive force that makes a significant contribution to the development of the agrarian sector and the social sphere of the Russian countryside.

According to the results of the 2016 All-Russian Agricultural Census, the Rostov Region ranks 4th in the Russian Federation in terms of the number of farming enterprises, while FEs own 2.6 million hectares, and on average each FE accounts for more than 330 hectares. In 2018, more than 30% of cereals, 35% of vegetables and 7% of meat from the gross agricultural output of the region were produced by the region's farms.

Modern farming enterprises are characterized by huge potential for further development. The economic content of farms of this type has an ambiguous interpretation in the modern economy. There are various points of view on this issue, the comparison of which allows identifying the main features of FEs.

In their works, modern economists define FE as a form of organization of commodity production in agriculture, based not only on the personal labor participation of a farmer and his/her family members, but also on that of hired employees, whose main goal is not only meeting the family's food needs and maximizing profits but also ensuring the sustainability of the market position.

A farm is a form of economic activity that functions according to the principle of satisfying the needs of family members through their personal participation, as well as attracting hired labor in order to obtain the greatest surplus value.

For example, some economists define FE as an open type of individual agricultural production, operating on the basis of private ownership of land or its lease, self-employment and mainly family labor, and emphasize the family form of small free business, which independently carries out its activities mainly in agriculture based on private ownership of main production facilities for the purpose of profit. The main thing in their definition is the focus on family ties inherent in FE, and drawing attention to the personal work of family members.

In addition, economists point out that farming enterprises are a form of free business (Epshtein, Hahlbrock, and Wandel, 2013). It is based primarily on the satisfaction of the food needs of the family and in the subsequent profit receipt and maximization. A farming enterprise is a family-labor association of persons engaged in the production, processing (if necessary) and marketing of agricultural products (Gubaidullina and Yakupov, 2015).

It is clear that FE is a form of commodity production, but it means that the activity should be based not only on the personal labor participation of the farmer, his/her family members and employees but also may be completely organized using the hired labor.

There are other views on this issue, for example: a farming enterprise is an agricultural enterprise formed on an individual, family and collective basis with the right of a legal person and operating without hired labor.

Of course, the definition of FE is given in the Federal Act On Peasant (Farming) Enterprises dated June 11, 2003 No. 74-FZ (as amended on June 23, 2014): "A peasant (farming) enterprise is an association of citizens related by kinship and (or) in law, having common property and jointly carrying out production-related and other economic activities (production, processing, storage, transportation and marketing of agricultural products) based on their personal involvement".

However, some economists believe that one should not fully identify the essence of the peasant and farm economy (Zubrenkova and Fedotova, 2015). That is, they are considered as two types of organization of agricultural production.

After studying and analyzing all the above, one can conclude that the distinctive features of FE are:

- FE is a labor, family, business enterprise created by a specific individual.
- FE is based on the consumption of labor and capital.
- FE combines natural and commodity production.
- In FE, labor motivation is determined by the owner and members of his/her family.
- In the conditions of FE, when choosing activities, two directions are intertwined: the entrepreneurial approach and the desire to get various material benefits for their work.
- In FE, not only the labor of family members can be used but also the labor of hired employees.

In addition, the Federal Act dated June 11, 2003 On Peasant (Farming) Enterprises No. 74-FZ states that FE can be created by one citizen (Art. 1, clause 2) and can be recognized as agricultural commodity producer in accordance with the legislation of the Russian Federation. (Art. 1, clause 4).

The features of the FE functioning listed allow classifying and combining them according to individual criteria, which will determine their role in resolving import substitution issues.

The most common classification of FEs is the specification of different groups of agricultural specialization. For the Rostov Region, the main FE area of specialization is crop production.

Since the Rostov Region belongs to the regions of Russia, in the structure of gross output of which crop production occupies the leading place, the largest contribution of FEs to the total volume of agricultural output of the Rostov Region is in the field of crop production. The Rostov Region is one of the leaders in Russia in gross grain and sunflower harvest. Grain crops in the region occupy about 67% of the acreage. Over the past 15 years, farms in the Rostov Region have been mainly specialized in the production of grain, leguminous plants, and oilseeds.

In the Russian Federation, the Rostov Region's farming sector is one of the most numerous: small and medium-sized businesses cover more than 600 thousand people or about 45% of rural residents.

The peak of the development of farming in the Rostov Region was in 2000 (Wegren, 2018). Since then, the number of FEs has decreased greatly. So, if in 2000, some 17,186 farming enterprises were registered in the region, in 2017 – only 11,153. In other words, the average annual rate of decline in the number of farming enterprises in the Rostov Region during this period was 2.5%.

Along with the decrease in the number of farms, there is a clear tendency to their consolidation or association. Thus, over the past 17 years, the area of land plots provided to FEs has increased by more than 1.3 times and reached 1,849.9 thousand hectares. Over the same period, the average size of the farm increased by 2 times: from 82.4 hectares in 2000 to 166 hectares in 2017 (Table 1).

Table 1
Dynamics of the number of farming enterprises in the Rostov Region and the size of the area of land allocated to them in 2000-2017

Year	Number of FEs (as on the end of the year)	Area of land plots granted to FEs – total, thousand hectares	Average areas of land per 1 FE, hectares (as on the end of the year)
2000	17,186	17,186	82.4
2001	16,857	16,857	88.0
2002	16,550	16,550	90.8
2003	15,939	15,939	95.9
2004	15,722	15,722	102.7
2005	15,234	15,234	109.0
2006	14,069	14,069	119.0
2007	13,593	13,593	119.0
2008	13,220	13,220	126.0
2009	12,937	1,609.9	124.0
2010	12,946	1,644.2	127.0
2011	12,404	1,733.4	139.0
2012	12,114	1,746.3	144.0
2013	11,795	1,751.8	151.9
2014	12,091	1,799.1	148.7
2015	11,631	1,808.1	155.5
2016	11,164	1,821.0	163.1
2017	11,153	1,849.9	165.9

Source: Information prepared according to the data of Rosreestr in the Rostov Region (2018)

According to Rostovstat, on the basis of reports provided by farming enterprises, 8,652 FEs or 77.6% of the total number of registered land plots for running FEs are operating.

In the Rostov Region, there are 8,652 peasant (farmer) farms with a total land area of 1,849.9 thousand hectares (data of 2018).

Such significant changes allow concluding that FEs tend to reduce their number and to consolidate farms. There is an obvious need for the introduction and development of agricultural cooperation, uniting FEs. This economic situation has led the Russian government to develop a concept of state support for small and medium-sized businesses and support for individual entrepreneurial initiatives for the period from 2018 to 2024.

However, there are certain problems that hinder the progressive development of farming enterprises and, as can be seen from Table 1, not only led to a reduction in the number of farms but may also have a negative impact on the implementation of the concept of developing agricultural cooperation.

Among these problems the most significant are:

1. Lack of a unified approach to determining the legal status of FEs. In fact, today they exist in different organizational and legal forms: legal entities and individual entrepreneurs. The consequence of this is the lack of complete, high-quality and reliable information on FEs.
2. The absence of business plans at farming enterprises. Business planning is required for an optimal balance between production goals and opportunities and defining development prospects for FEs. In modern conditions, FEs lack capital and try to stabilize their economic condition in any way possible.
3. Complicated procedure for obtaining state support for beginning farming enterprises associated with the compliance with particular regulatory requirements.
4. The problem of falling profitability of agricultural production due not only to rising costs, but also an insufficiently profitable and timely system of selling food products.
5. The absence of the structure of agricultural cooperation, which can make FEs more competitive, namely: unite farmers, form large batches of products, ensure high-quality storage, processing, transportation, and sale.
6. Low social security of farmers and their families.

Thus, in modern conditions, the heads and members of farms were not included in the Russian Classification of workers and employees occupations and wage grades, which significantly complicates the issues of registration of disability, social and pension insurance.

Given the above, it can be argued that in modern conditions, farming enterprises require not so much quantitative growth, but rather qualitative changes and effective operation.

Priority solutions are needed in optimizing the area of farming enterprises, improving the structure of land use, the rational formation of industries and their combination, and stimulating the development of farming enterprises based on their association into agricultural cooperatives. Agriculture belongs to those sectors of the economy where, first of all, there are serious economic and financial risks, so FE cooperation will minimize the impact of these risks and ensure the development of the distribution infrastructure, primary processing, and storage of agricultural products (Maltseva, 2015).

In the Russian Federation, it was planned that by 2020, state support in this area would amount to 37 billion rubles. However, this amount is now provided for by the National Project "Small and Medium-Sized Businesses and Support for Individual Entrepreneurial Initiative" from 2019 to 2024. A resolution of the Government of the Russian Federation has been approved, ensuring the provision of other interbudgetary transfers from the federal budget to the budgets of the Russian Federation's regions and the development of rural cooperation in the regions of the Russian Federation in the amount of 37.368 billion rubles.

According to the Ministry of Agriculture and Food of the Rostov Region, from 2012 to 2018, some 583 novice farmers and 95 family livestock farms became participants in the grant programs. In 2018, more than 450 million rubles were allocated for grants. These funds were used to support 102 novice farmers and 11 family livestock farms. In addition, in 2018, the Rostov Region became the only Russian region that exercised the right to allocate additional funds from the regional budget to reduce the costs of family dairy farms. The total investment in the rural economy for the entire period of the grant program implementation amounted to about 2.33 billion rubles.

In 2019, the limit of funds for grant support for the development of small forms of business was increased to at least 500 million rubles. The implementation of program activities for the grant support of farmers in the Rostov Region is planned to be extended until 2030. It should be particularly noted that the implementation of such programs helps to solve the problem of employment in the countryside: for example, over the past 7 years, more than a thousand additional jobs have been created by organizing new farms.

Since 2019, according to the Decree of Russia's President, the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation" is being implemented, in the framework of which new types of support are introduced for heads of farming enterprises and agricultural consumer cooperatives. The data on state support to farmers and rural cooperation in the Southern Federal District (SFD) and the Rostov Region (RR) for the next six years from 2019 to 2024 presented in Table 2.

Table 2
Financial support for farmers and the development of rural cooperation in the framework of the National Project in the Southern Federal District and the Rostov Region for the period from 2019 to 2024

Financing	Total, million rubles	Volume by years, million rubles					
		2019	2020	2021	2022	2023	2024
Federal budget, including:	37,368.00	7,373	1,836	4,608	5,914	8,514	9,123
Southern Federal District (SFD)	4,089.35	773.54	225.15	526.96	681.60	942.93	939.17
SFD in % of the total volume in the RF	10.9	10.5	12.3	11.4	11.5	11.1	10.3
Rostov Region (RR)	618.45	111.94	32.61	80.38	101.29	148.07	144.16
RO in % of the total volume in SFD	15.1	14.5	14.5	15.2	14.9	15.7	15.3

Source: compiled by the authors according to the data of the Passport of the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation" (Project Committee for the Main Direction of the Strategic Development of the Russian Federation, 2018).

Thus, the volume of financial support for farmers and the development of rural cooperation from the federal budget in the Southern Federal District for the coming years amounts to almost 11% of the total amount in Russia, and from the funds provided to the Southern Federal District, the Rostov Region will receive about 15% for this purpose.

As part of the implementation of the Federal Project, it is planned to improve the package of support measures for the novice agricultural cooperatives and farmers – members of agricultural cooperatives from July 1, 2019 to December 20, 2019 within the existing measures of state support of the Ministry of Agriculture of Russia and the regions of the Russian Federation, as well as existing products of JSC "MSP Corporation", JSC "MSP Bank", JSC "Rosselkhozbank", JSC "Rosagrolizing" in terms of credits and guarantees and financial support for agricultural cooperatives and farmers – members of agricultural cooperatives. The support program provides for an increase in the number of those involved in small and medium-sized businesses (SMEs) operating in the agricultural sector (Table 3), as well as an increase in the number of novice small and medium-sized businesses, including farming enterprises and agricultural consumer cooperatives (Table 4).

Table 3
Distribution of the number of involved in small and medium-sized businesses (SMEs) of the SFD and RR, operating in the field of agriculture, including at the expense of state support, in the framework of the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation" by periods of implementation, persons

Russia's Region/District	Implementation period of the Federal Project, year					
	2019	2020	2021	2022	2023	2024
Southern Federal District (SFD)	1,346	1,019	1,235	1,647	2,389	2,598
Including Rostov Region (RR)	264	162	249	321	477	512
RR to SFD (%)	19.6	15.9	20.1	19.5	20.0	19.7

Source: compiled by the authors according to the data of the Passport of the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation" (Project Committee for the Main Direction of the Strategic Development of the Russian Federation, 2018).

Table 4
Distribution of the number of novice small and medium-sized businesses (SMEs) in the agriculture of the SFD and RR, including Farming Enterprises and Agricultural Consumer Cooperatives by Periods of the Federal Project Implementation, entities

Russia's Region/District	Implementation period of the Federal Project, year					
	2019	2020	2021	2022	2023	2024
Southern Federal District (SFD)	205	169	206	243	299	312
Including Rostov Region (RR)	14	15	19	23	33	32

RR to SFD (%)	6.8	8.9	9.2	9.5	11.0	10.3
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Source: compiled by the authors according to the data of the Passport of the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation (Project Committee for the Main Direction of the Strategic Development of the Russian Federation, 2018).

An analysis of the data presented in Tables 3 and 4 shows that within the framework of the Federal Project "Creating a Support System for Farmers and Development of Rural Cooperation", the average share of those involved in SMEs at the expense of governmental funding in the coming years of the Project in the Rostov Region relative to the SFD is about 19%, and the average share of novice small and medium-sized businesses in agriculture at the expense of governmental funding in the coming years of the Project in the Rostov Region relative to the SFD is about 9%.

The Rostov Region continues to actively develop the network of agricultural consumer cooperatives as one of the forms of small and medium-sized businesses.

Since 2011, the region has been participating in federal state programs of support for agricultural consumer cooperation. These activities are carried out in accordance with the regional act "On the Development of Agricultural Consumer Cooperatives in the Rostov Region". The total investment in the development of the material and technical facilities of the Rostov Region's agricultural consumer cooperatives in 2010-2016 amounted to about 800 million rubles, including about 250 million rubles at the expense of the federal and regional budgets.

Since 2018, the Rostov Region has increased the maximum grant to support agricultural consumer cooperatives from 25 million rubles to 70 million rubles. Thus, due to the federal grants, the Rostov Region today is one of the leading regions in terms of the funds allocated for the implementation of these programs.

Special attention is paid to the development of agricultural consumer cooperatives in the Federal Project "Creating a Support System for Farmers and Development of Rural Cooperation". In accordance with this project, an average of 81.5% of the number of entities involved in SMEs in the Rostov Region should belong to agricultural consumer cooperatives (Table 5).

Table 5
Distribution of the number of those involved in the SME in the Rostov Region by Periods of the Federal Project Implementation, persons

SMEs	Implementation period of the Federal Project, year					
	2019	2020	2021	2022	2023	2024
Total	264	162	249	321	477	512
Including in agricultural consumer cooperatives	230	125	200	260	386	422
in % to the total number of involved in SMEs	87.1	77.2	80.3	81.0	80.9	82.4

Source: compiled by the authors according to the data of the Passport of the Federal Project "Creating a Support System for Farmers and Developing Rural Cooperation (Project Committee for the Main Direction of the Strategic Development of the Russian Federation, 2018)

At the same time, 60% of all allocated funds will be used to support at a minimum subsidy rate per hectare of sown area. In other words, all agricultural producers cultivating arable land will receive these funds. The remaining 40% is the stimulating part, which will be provided taking into account the intensity factor of the areas used. This coefficient will be calculated based on the volume of crop production, converted into grain units. A grain unit is an indicator used to equivalently measure different types of crop production. Grain is taken as the basic unit of measurement, and the products of other agricultural crops (industrial, vegetable, etc.) are converted into comparable products according to the ratio of their yields and yields of grain crops (over a number of years) (Gnevko, Shahina and Kirsanov, 2016). This is explained by the fact that agricultural production, and above all, crop production is seasonal in nature, besides, a change in the conditions of farming will also appear somewhat later.

4. Discussion

In the Rostov Region, within the framework of the implementation of the state support program for SMEs, it is planned to continue financial, organizational, informational and consulting support for small and medium-sized businesses when they are combined into a system of rural cooperation. In this regard, an important point for the FEs is a program approach to the following areas:

1. Expansion of the availability of credit resources for farming enterprises and agricultural cooperatives created by them;
2. Stimulation of the creation of procurement and supply and marketing structures, the development of credit cooperation.
3. Obtaining tax preferences when interacting within an agricultural cooperative

In order to implement these activities, some work has already been done – amendments were made to the Federal Act of 8 December 1995 No. 193-FZ "On Agricultural Cooperation" to clarify corporate governance issues, the procedure for maintaining a register of members and associate members of agricultural cooperatives, the sales and the extent of subsidiary responsibility in consumer cooperatives, the order of reorganization and liquidation of cooperatives, the implementation of effective responsibility of audit unions and their self-regulation organizations to cooperatives and their members for the quality of the audit, consultancy, expert work and the effectiveness of preventive actions.

5. Conclusions

In this paper, the authors investigated the statistical aspect of the Fes' functioning effectiveness; studied the economic essence of FEs; revealed the role and importance of FEs in the economic and social sphere of rural areas; identified the problems of management of FEs operating in the Rostov Region; the necessity of state support measures for FEs was justified, which will ensure their further development.

Governmental support creates conditions for the development of Fes, being a prerequisite for rural cooperation. Rural cooperation will help to solve many problems related to farms operation. It will allow increasing the volume and quality of agricultural products made by them, employing the rural population, ensuring an increase in their incomes and, consequently, improving the living standards in rural areas, enhancing the competitiveness of agricultural products in terms of import substitution. Small business in rural areas is the most mobile and promptly responsive to the market.

FEs as the main subject of SMEs in agriculture have prospects for further development, integrating into rural cooperation and relying on governmental support. In 2019, it is planned to develop a draft federal act on amendments to the Tax Code of the Russian Federation in terms of establishing for agricultural consumer cooperatives a special tax rate on income tax derived from the provision of services by a cooperative to its members.

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