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AGRICULTURE IN THE CHECHEN REPUBLIC: A FACTOR OF EMPLOYMENT AND INCOME GROWTH

Gishkaeva Leila Lechievna (a)*, Azieva Raisa Khusainovna (b), Mamadiev Alik Khoz-Akhmedovich (c)

*Corresponding author

(a) Chechen State University, 32, Sheripov, Grozny, Russia, leila_114@mail.ru

(b) Grozny State Oil Technical University named after M.D. Millionschikov, 100, Isaev AV., 364061, Grozny, Russia
raisaazieva@list.ru

(c) Grozny State Oil Technical University named after M.D. Millionschikov, 100, Isaev AV., 364061, Grozny, Russia
maxs15.68@mail.ru

Abstract

Agriculture is a basic component of the national economy, an essential condition for human activity and the basis for society providing people with food and industries with raw materials. The development of a new approach to the agrarian policy is a condition for the effective development of agriculture in Russia, where there have been serious financial and economic transformations of the government support mechanism. It is necessary to link the budget funds allocated to agricultural producers with results of their use. An agricultural policy is rational if it takes into account the basic status, significance and specifics of the agricultural sector, which determine the need for the government support. For the successful socio-economic development of territories, it is important to identify more promising areas of specialization. Climatic conditions of the Chechen Republic are favorable for the agricultural sector. The agricultural sector is an important factor contributing to the employment of the population, most of whom live in rural areas. In the republican program aimed at developing agriculture, raw materials and food markets, financial stability and modernization of agricultural sectors are key issues.

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1. Introduction

For Russia in the late 1980s and early 1990s, the shock method of implementing market reforms was the most serious drawback. Despite the fact that the national monopoly on land was abolished, and the new Constitution of Russia ensured priority of private ownership, land tenure of individuals and peasant families was formal. Only the owners of peasant farms and individual entrepreneurs had land plots (5 % of agricultural land and 3.5 % of lands occupied by households) (Buzdalov, 2014).

In 2008–2017, in the agricultural sector, there were such negative processes as a decrease in the share of investment from 4.1 to 3.7 %; low renewability of fixed assets – 4 %; the outstripping growth of industrial and consumer prices relative to agricultural ones (in 2008–2016, agricultural prices increased by 61 %, industrial prices increased by 89 % and consumer prices increased by 113 % (Aganbegyan, 2017). The agricultural sector lacked fertilizers intended for export; rural producers had to purchase and pay more for imported modern equipment, as the authorities paid little attention to the technical support for agricultural production. A low (only 3 %) volume of government financial support is also a negative factor of development (Aganbegyan, 2017).

2. Problem Statement

The article aims to study problems and directions of development of the agricultural sector of Russia and the Chechen Republic.

3. Research Questions

An analysis of the development of the agricultural sector since the early 1990s, problems of the development of the agricultural sector in the Chechen Republic was carried out.

4. Purpose of the Study

The purpose is to determine the specifics of development of agricultural production in Russia, to identify the main problems of the agricultural sector and ways to solve them.

5. Research Methods

This research was carried out using the methods of statistical analysis, functional analysis, positive and normative analysis. The research is based on the problem-chronological principle, consistency and scientific objectivity.

6. Findings

The Russian agrarian sector was able to achieve the positive results only by some indicators, while by other indicators, the results were not not achieved (50–90 %). The reasons are both a delay in the processes of reforming institutions and the contradictory nature of the institutional reform (Israilov, 2018).

To develop the agriculture, a new government approach is required. The scientific validity of the agrarian policy and its effectiveness depend on accounting for the significance and multifunctional industry specifics of the agricultural sector, which determine the need for the government support (Buzdalov, 2014).

It is necessary to implement the following measures: restructuring of the debt of agricultural enterprises and providing them with cheap loans at a rate of 3–5 % per year, including investment loans for a long payback period of dairy farms, feedlots for beef cattle, etc.; an increase in the growth rate of investment in fixed assets up to 8–10 % per year; an increase in the costs of staff training and retraining, internship at national and foreign agricultural enterprises, development of skills required to perform highly productive activities (Aganbegyan, 2017).

These measures would increase the coefficient of renewal of agricultural machinery by 10–12 %, which would lead to the technological renewal and a significant increase in labor productivity. In developed countries such as Germany, France, Great Britain, the USA, the share of agricultural workers is 1.5–3 % which is 2–4 times less than in Russia, while the volume of agricultural production is larger due to high productivity, more advanced equipment and technologies, fertilizers, efficient seed production management and breeding. In the Russian agriculture, productivity should be increased by at least 1.5 times, reducing the number of workers by 1 million (Aganbegyan, 2017).

Chayanov, who saw various economic models of both the Indo-Chinese peasants and American farms in Russia suggested developing various types of vertical market cooperation. According to the scientist, this direction is more effective and sustainable for Russia (as cited in Nikulin, 2017).

Since 2017, the country has experienced financial and economic transformations of the state support mechanism. It was suggested linking budget funds with the results of their use in agricultural production. The Ministry of Agriculture provides subsidies for the reimbursement of the interest rate paid for short-term loans; supports agricultural insurance, regional programs in the areas of crop and livestock production, small-scale farming, agricultural consumer cooperatives, etc. (Samygin & Kudryavtsev, 2018).

In order to assess the effectiveness of budget expenditures of the regions for which the subsidy is a source of financial support, indicators that determine the effectiveness of its use (gross harvest and production, the sown area, the number of animals, the number of new permanent jobs, etc.) are determined.

The result of these changes in the system of government stimulation of agricultural production may be a large differentiation of regions in terms of state support which will cause concentration of budget funds only in the best enterprises which have better natural and economic opportunities for agricultural development. Accordingly, in order to achieve maximum results, it is necessary to modernize the tools for distributing budgetary allocations based on the effectiveness of their application under different natural and economic conditions (Samygin & Kudryavtsev, 2018).

Natural and economic factors have a strong influence on the rate of return on each ruble of subsidies, and this variation is between 2 kopecks for the regions of the Far Eastern Federal District and 27 kopecks – for the regions of the North Caucasus Federal District. For a significant number of regions with better reproduction conditions, the efficiency and profitability of subsidies were lower compared to

the regions with less favorable farming conditions for farming. This can be due to the fact that many regions were engaged in production activities that were not appropriate for their natural and economic conditions (Samygin & Kudryavtsev, 2018).

The study identified such areas of state support efficiency growth as fund redistribution in favor of agricultural activities which are attractive for external financial investment; adaptation of the state support to various agrarian structures; adjustment of the conditions for the state support provision to eliminate the effect of soft budget constraints; the allocation of subsidies aimed at improving the efficiency of management of agricultural production.

In the context of expanding powers of the regions to prevent the complication of the state support system, one can apply the experience of the EU. At the federal level, a list of state support tools is created, and the regions can decide which tools and to what extent should be applied (Svetlov et al., 2019).

An important condition for successful socio-economic development of territories is identification of priority directions for specialization. It becomes necessary to take into account specifics of a territory for the development of a competitive economy on the basis of the most efficient use of the regional potential. The Chechen Republic is part of the North Caucasus Federal District. The area is 17.7 thousand km (Bayrakov et al., 2006).

For the development of the economy and transport and economic relations, the geographical position of the Chechen Republic is favorable. Developed transport infrastructure ensures interaction with neighboring regions and the Transcaucasia. The region can be divided into the plain northern and mountainous southern parts. The mountainous part represented by the northern slopes of the Greater Caucasus Mountain Range, accounts for 35 % of the territory, the remaining 65 % of the territory is steppes and semi-deserts (Bzhedugova et al., 2004).

For the development of the agricultural sector, specific climatic factors that determine the agricultural specialization are crucial. In the Chechen Republic, there are various soil and climatic zones: semi-deserts with sandy soils, chernozem steppes, forests, mountain meadows. Chestnut, chernozem, meadow soils are characterized by good fertility. Given the lack of rainfall, the developed river network contributes to the artificial irrigation of crops (Bayrakov et al., 2006). In general, the natural and climatic conditions of the republic are favorable for the development of both agriculture and animal husbandry.

The agricultural sector is one of the most important components of the regional economy whose development makes it possible to employ a significant part of the population and reduce unemployment, since the region has a high share of the rural population.

In the 1980s, the specialization of the Chechen agriculture was production of grain, sunflower, sugar beets, grapes, vegetables, fruit and berries, and potato. The livestock sector produced milk, meat and wool. Crop production was predominant. In 1990, crop production accounted for 61 % of the gross agricultural product of the republic, livestock accounted for 39 % (Reshiev, 2017). Famous events of the turn of the 20th–21st centuries had a devastating effect on the agricultural sector.

The National Project for the Development of the Agricultural Industry of the Republic focuses on the development of animal husbandry which can ensure a quick return on invested funds (poultry, beef cattle breeding, sheep breeding, beekeeping and fish farming) (News of the Republic, 2006). Climatic

features of the mountainous and steppe regions are favorable for animal husbandry. In two climatic zones, the Republic has more than 46145 hectares of pasture land and 40593 hectares of hayfields, where it is possible to graze livestock all year round and produce meat, milk, wool, etc. (Capital, 2006).

During the agrarian reform of the 1990s and in the subsequent period, the idea of state-owned farms, production cooperatives, business societies (JSC, LLC), family peasant farms was prevailing. However, a large number of Russian researchers preferred various forms of management. Some experts emphasized the need to preserve public agricultural organizations and land ownership; this idea was later used to restore the agricultural sector of the economy of the Chechen Republic, in which agricultural organizations are mostly state-owned (Uzun & Shagayda, 2019).

Currently, 153 state farms and 5473 peasant farms are engaged in agricultural production, including 364 peasant farms and 5109 individual enterprises; in the public sector prevails livestock production – 69.2 %, the share of crop production is 30.8 % (Avtorkhanov, 2018). The livestock of cattle and sheep has a low genetic potential. Within the federal target program, the pedigree livestock of heifers (703 heads) introduced in 2002 was distributed among 8 farms, where there are no breeding groups and selecting parental pairs. Agricultural organizations account for less than 1 % of livestock products produced in the region by all categories of farms (in 2015 – 0.06 %) (Avtorkhanov, 2018). The need of the republic for livestock products is provided by neighboring regions.

In the livestock industry, sustainable development has not been achieved, there is a tendency to reduce the number of animals, which decreased by 53.1 thousand or 17.8 %, the number of birds decreased by 12 thousand or 11 %, a decrease in the number of sheep amounted to 554.9 thousand or 97.4 %, the number of horses decreased by 7.9 thousand or 97.5 %. At the same time, an increase in the number of cattle lags behind agricultural organizations which amounted to 1.2 % in 2015, and 1.3 % in 2016 (Avtorkhanov, 2018). Data on the presence of a significant number of livestock in the private sector are not accurate.

In addition to animal husbandry, the development of such areas of agricultural production as viticulture is also important. In the Soviet period in Chechen-Ingushetia, more than 60 thousand hectares of land were used for grapes, and more than 20 enterprises were engaged in this activity. The number of workers engaged in its cultivation and processing amounted to more than 30 thousand people, providing high revenues to the state budget (Gishkaeva, 2014). The production of grain, oilseed, potato, factory sugar beet, sunflower, vegetables, gourds, and horticultural products is also promising. Before the mid-1990s, 23 thousand hectares of land were occupied by gardens, which satisfied the needs of the republic and other regions of the Soviet Union (Gishkaeva, 2014).

Among the main obstacles hindering the growth of crop production is low technical equipment of enterprises, the high wear of machines and mechanisms (85 %), only 1 % of the machines are renewed annually. The load per unit of equipment is several times higher than the standards. Upgrading the fleet of vehicles requires up to 300 million rubles annually. In 2016, 13 agricultural machines were purchased. The situation is aggravated by the lack of the repair and maintenance system. Soil fertility is reduced due to the lack of funds for the purchase of fertilizers. At a rate of 200–300 kg per 1 ha of arable land, 1–2 kg of mineral fertilizers are applied (Avtorkhanov, 2018).

The region is located in a risky farming zone, where more than 87 % of irrigated land is located on arid and semi-arid territories. Due to the malfunction of main collectors, canals, irrigation networks and withdrawal of irrigated lands from circulation, state farms annually receive only 70–75 % of grain crops, and up to 20 % of fruit, vegetable, and grape crops (Avtorkhanov, 2018).

7. Conclusion

In the republican program for the development of agriculture and regulation of agricultural products, raw materials and food markets, the focus is on financial sustainability and modernization of agriculture. An important condition is the processing of agricultural products. It is necessary to construct and reconstruct processing enterprises, equip them with modern high-tech and resource-saving systems in order to increase production and marketing efficiency.

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