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RUSSIAN PRACTICE OF APPLYING INSTRUMENTS OF
FINANCIAL SUPPORT TO AGRIBUSINESS

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Abstract

The creation of conditions ensuring food security, the competitiveness of the Russian economy and the well-being of citizens becomes a strategic direction for supporting the agro-industrial complex. The availability, accessibility and transparency of financial resources (support measures) determine the fulfillment of such conditions. In recent years, the positive results of the implementation of structural elements of the state program for the development of agriculture and the regulation of markets for agricultural products, raw materials and food indicate not only the need to consolidate this trend, but also to maintain and develop it. The past 2020 has become quite difficult and unstable for the Russian economy. Therefore, the measures of state support to the industry become especially significant and relevant. Financial support for the agro-industrial complex is provided through a financial mechanism, which is traditionally represented by budget, credit, insurance, tax mechanisms, each of which in turn includes specific methods and related instruments. This is especially relevant in modern conditions setting a new paradigm for the development of the Russian economy in general and the agro-industrial complex in particular. The expansion of the export potential of the agro-industrial complex, volatility in international commodity markets, active digitalization indicate the need and importance of expanding the use of instruments of financial support for agribusiness. The unusual conditions caused by COVID-19 pandemic not only created some threats to the development of the agro-industrial complex, but acted as an impulse for the mass introduction and use of digital technologies.

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Keywords: Digitization, export, grants, lending, pandemic, state subsidies



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1. Introduction

Traditionally, the financial mechanism includes a budget finance mechanism, a credit mechanism, an insurance mechanism, an investment mechanism, and a tax mechanism. The mechanisms are represented by a set of financial methods and instruments for the formation, allocation and use of financial and credit resources (functional elements) within the framework of clear regulatory and information support (supporting elements). The constituent methods of the financial mechanism are focused; they have an evolutionary character due to the ongoing changes and instability of the Russian economy.

2. Problem Statement

The state of reproductive processes in agriculture leads to competitive advantages of the agro-industrial complex, which is necessary to achieve food security (Boldyreva et al., 2017).

The problems of attracting financial resources for expanded reproduction and favorable conditions for further development of the agro-industrial complex are always relevant and significant.

3. Research Questions

The availability, accessibility and transparency of financial resources by agribusiness actors will contribute to the implementation of the growth model of the complex, reflecting the modern characteristics of the country related to competitiveness and food security. Consideration of the main areas of financial support for the modern agro-industrial complex will determine the scale of problems and possible solutions for their possible development.

4. Purpose of the Study

The purpose of the paper is to study the Russian practice of applying instruments of financial support to agribusiness and the possibilities of their expansion.

5. Research Methods

The study is based on the analysis and synthesis of theoretical and factual materials on the features and problems of applying the instruments of financial support for agribusiness using various methods: systemic, logical analysis, synthesis, induction and deduction.

6. Findings

Financial support is provided both at the expense of federal or regional budgets, and on the basis of co-financing. In accordance with the Federal Law “On the Development of Agriculture”, the federal budget funds have a special purpose. Budget subsidies continue to be the traditional and main form of state financial support for the agro-industrial complex.

In 2017 is characterized by significant changes (transition to a “single subsidy”) of agricultural producers consolidating inter-budget subsidies (54 subsidies implemented were combined into 7 areas). Within the framework of this subsidy, the Russian Federation was granted the right to determine the volumes, forms and methods of state support in the relevant priority areas based on regional specifics: agricultural production and natural-climatic and other features of the region.

For example, in 2019, 10.3 billion rubles, or 25.4 % of the “single” subsidy funds was allocated out of 40.62 billion rubles of federal funds for grant measures for the development of peasant farm enterprises and agricultural consumer cooperatives, as well as for reimbursement of part of the costs of paying interest on loan agreements concluded by small forms of business until December 31, 2016 – 0.25 billion rubles.

It was assumed that this form of support would ensure the targeting of recipients, facilitate the receipt of budget funds, reduce the timing of their delivery to agricultural producers, and fill the lag in the context of financial support for flows from the point of view of their recovery. However, in practice, this has led to a redistribution of budget funds, not always to the desired positions.

In 2020, the result of the change in subsidies was the transformation of a single subsidy and the allocation of a compensating and stimulating subsidy. Thus, the so-called mechanism of regionalization of state support makes it possible to independently choose priorities in agriculture, while stimulating the growth points of the industry and developing the most promising areas (Shkarupa et al., 2020). To increase the efficiency and optimize the mechanism of compensating and stimulating subsidies, the Ministry of Agriculture is working to adjust this form of support, a package of changes is being prepared to simplify the process of granting subsidies and increasing the flexibility of this mechanism while maintaining the current structure and approach to subsidies (Shkarupa et al., 2020).

Insurance continues to be a significant area of financial support for agribusiness, but its demand has been declining since 2014. The mentioned transition to a single subsidy since 2017, the reduction in the number of insurance organizations that have carried out insurance with state support since 2016 caused by increased control over insurers by the Bank of Russia, the emergence of a mandatory requirement for membership in the National Union of Agricultural Insurers to insurance companies concluding agro-insurance contracts with state support, were the reasons for a noticeable drop in insurance. State expenditures on agricultural insurance were included in the “single subsidy” (Table 01). The right of regions to independently allocate the amount of subsidies laid down in it led to the residual principle of providing this form of support.

Table 1. Information on crop and perennial crop insurance with state support in 2014-2019

Indicators	2014	2015	2016	2017	2018	2019	2020
Sown (planting) area – total (excluding households), million ha	70.5	75.9	76.7	77.5	76.8	77.7	
including sown (planting) area under insurance contracts	12.8	8.3	3.8	1.8	1.3	4.3	
Number of constituent entities of the Russian Federation that took part in insurance	62	56	40	32	31	42	58
Number of subsidized insurance contracts	6990	3619	1188	414	416	1685	2398
Number of subsidized agricultural producers – total	5827	2751	913	321	310	1219	N/A
including agricultural organizations	3442	1854	774	280	264	808	N/A

peasant (farm) enterprises and individual entrepreneurs	2385	897	139	41	46	411	N/A
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(Fagps, 2021)

A two-year gap (2017–2018) proved the need for state participation and its dominant role in the development of this form. Since 2019, there has been growth in some indicators, which indicates a revival of the agricultural insurance market and the creation of conditions for its restoration.

As part of the federal project “Creating a system of support for farmers and the development of rural cooperation”, which has been implemented since 2019, aimed at additional state support for small forms of economy, it is provided for the provision of other inter-budget transfers from the federal budget to the budgets of the constituent entities of the Russian Federation for the creation of a system of support for farmers and the development of rural cooperation in the constituent entities of the Russian Federation. Thus, the following measures of state support are provided: grants to novice farmers, grants for Agro-startup projects, grants for family farm development projects, grants for projects for the development of the material and technical base of agricultural consumer cooperatives (Ministry of Agriculture, 2021). In 2019, 83 entities of the Russian Federation took part in the implementation of federal project activities. The actual amount of funds from the budgets of the constituent entities of the Russian Federation, directed in 2019 to peasant farm enterprises within the framework of the federal project, amounted to 5,005,6 million rubles. The actual amount of funds from the budgets of the constituent entities of the Russian Federation allocated in 2019 to support rural consumer cooperatives within the framework of the federal project amounted to 595.6 million rubles.

Paying attention to the representatives of small agribusiness, the state is expanding methods of financial support. Since 2021, a new form of support has appeared for the representatives of small businesses working in rural areas for more than two years – a grant for agricultural producers – Agroprogress. This category may claim up to 30 million rubles; at the expense of these funds, it is possible to cover up to 25 % of the cost of the project implemented with the help of an investment loan. State support funds are allowed to be allocated for the purchase or construction of new facilities for the production, storage and processing of agricultural products, for the supply of these facilities with equipment, agricultural equipment and special transport. Grant funds may be spent on the purchase of animals, poultry and fish seeding material.

In order to increase the availability of borrowed resources for agricultural producers, state support measures are being implemented such as reimbursement of part of the interest rate on investment loans received until December 31, 2016 inclusive; reimbursement of part of direct incurred costs of agricultural producers for the creation and/or modernization of agro-industrial facilities; supporting concessional lending to agro-industrial enterprises; contribution to the authorized capital of JSC Rosselkhozbank.

From January 1, 2017, agricultural producers, organizations and individual entrepreneurs engaged in the production, processing and (or) sale of agricultural products were given the opportunity to receive a short-term or investment loan at a rate of not more than 5 %. The list of authorized banks participating in the implementation of the soft lending mechanism is determined by the Ministry of Agriculture. Reimbursement to a credit institution of lost income comes directly from the federal budget in the amount of the key rate of the Bank of Russia (Ministry of Agriculture, 2021). Positive dynamics indicate the demand for this support measure (Table 02).

Table 2. Information on concessional short-term loans, 2018–2019

Direction	Actually provided credit funds, billion rubles		Number of credit agreements	
	2018	2019	2018	2019
Total	433.00	341.00	13742	14170
Crop production	220.60	203.70	10843	11717
Livestock production	133.60	72.00	1507	966
Processing of crop and animal husbandry products	12.30	17.70	144	270
Dairy cattle breeding	61.30	47.40	1174	1144
Meat cattle breeding	5.20	1.48	74	73

Compiled by the author (National Progress and Results Report, 2018, National Progress and Results Report, 2019)

Thus, in 2021, the list of areas of targeted use of preferential loans was expanded, which may now also be directed to the introduction of digital technologies and the automation of agricultural enterprises. Farmers will be able to use preferential short-term loans issued for up to one year for informatization and digitalization of agricultural production and processing of their products, as well as maintenance of equipment and facilities.

The list of areas of targeted use of preferential investment loans has also been expanded. Credit funds issued for a period of 2 to 5 years may be used to purchase and refurbish the agricultural machinery fleet with automatic driving systems, point-to-point application of materials, crop mapping, precision farming or data collection and transmission equipment. It is also possible to buy special equipment for precision farming. In addition, farmers may direct preferential investment loans to the purchase of equipment for applying and reading identification tools, introduction of hardware and software products for labeling certain types of dairy products (Ministry of Agriculture, 2021).

One of the imperatives of a long-term strategy for the development of agro-industrial complex should be the development of exports, its diversification, improving the quality and competitiveness of domestic products. As part of the implementation of this direction, the Federal project “Export of agricultural products” is being implemented, the key task of which should be to increase the volume of exports of agricultural products to \$45 billion per year by 2024. Thus, several complex programs of state support for agro-industrial complex producers are being implemented, aimed at increasing the efficiency and competitiveness of Russian food products: preferential lending, compensation of costs for transportation of products, compensation of costs for certification of products, stimulation of oil crops production.

The mechanism of granting preferential loans to exporters is aimed at supporting export-oriented enterprises and contributes to increasing the production of agricultural products in demand in foreign markets. Currently, 7 systemically significant banks are participating in the program, which have already issued over 40 billion rubles of credit funds. Enterprises get the opportunity to use credit funds at a preferential rate subject to an increase in the production of competitive products (Shkarupa et al., 2020).

In 2019, within the framework of the federal project the volume of loans issued by JSC Rosselkhozbank to organizations – exporters of agro-industrial products (cumulative result since the beginning of 2019) amounted to 242 billion rubles (National report on the progress and results, 2019). In 2019, 33 contracts were concluded to increase competitiveness in the agro-industrial complex for the receipt of preferential credit resources totaling about 50 billion rubles. In 2019, to financially provide

subsidies from the federal budget to Russian organizations to compensate part of the costs of transporting 110 agricultural and food products in accordance with the Federal Budget Law 1676.8 million rubles were provided (of which 401.8 million rubles were additional funding), which were fully utilized.

In the first six months of 2020, almost all major groups of goods demonstrated positive dynamics in agricultural exports. The main drivers were vegetable oils and grain crops, significant growth was recorded in the categories of meat products and sugar. State support measures aimed at stimulating production and certification of products contribute to the increase in supplies. The Ministry of Agriculture and other departments are actively working to open and expand access for domestic producers to promising foreign markets (Shkarupa et al., 2020).

Digitalization, which is an inevitability of the modern development of the Russian economy, also affected the agro-industrial complex, predefining the implementation of the departmental project “Digital Agriculture”. The domestic digital technology market in the agro-industrial complex is already estimated at 360 billion rubles, and by 2026 it should grow five times. To this end, the state plans to focus on three key areas in the development of digitalization: collection and verification of industry data, formation of a single database, improving the quality of control and surveillance activities and monitoring (first of all, this refers to improving the system of traceability of agricultural products, simplifying procedures for obtaining public services in the agricultural sector, including measures of state support to farmers). It is assumed that all support measures – subsidies, grants, preferential loans, preferential leasing may be obtained electronically, while the key task of the project will be to improve the mechanism for providing state support to farmers on the principles of transparency (excluding the so-called “human factor” in the distribution of support and accessibility. This will significantly reduce the costs of agricultural producers. It is estimated that by 2024, 75 % of operations to provide state support will be carried out digitally. However, at present, only 5 % of domestic agricultural companies use modern digital technologies.

During the pandemic, it was decided to strengthen state support measures against the backdrop of the coronavirus crisis. These measures are spelled out in the draft National Action Plan aimed at restoring employment and incomes, economic growth and long-term structural changes for 2020–2021: recapitalization of Rosagroleasing (6 billion rubles); subsidizing tariffs for the transportation of vegetable products, mineral fertilizers, oilseeds for subjects of the Far Eastern Federal District (1 billion rubles); extension for up to 1 year of existing short-term loans and deferral on the payment of principal debt and interest attributable to 2020 on previously concluded preferential investment loans, increase in the volume of preferential lending to agricultural producers and food industry enterprises (4 billion rubles); creation of a single digital platform for identifying, evaluating and introducing agricultural land into agricultural circulation, including an investment Internet platform on which a potential investor in the agricultural sector can get a ready-made solution for conducting agricultural activities most in demand in the relevant region (1.5 billion rubles).

7. Conclusion

In conclusion it shall be noted that the Russian practice of using financial support tools for the agro-industrial complex may be characterized by consistent processes of transformation, modification and modernization due to modern trends in the development of the Russian economy: export orientation,

volatility in international commodity markets, introduction of digital technologies and platforms, non-standard conditions due to COVID-19 pandemic. The lack of systematic data for 2020 and the adjustment of financial support in a pandemic situation do not provide an opportunity to assess the full scope of financial methods to support AIC.

The results of the study made it possible to consider the possibilities of Russian practice of applying methods and corresponding instruments of financial support for the agro-industrial complex. The low solvency of producers and often processors of agricultural products is the main barrier to the introduction of modern information and communication technologies. Therefore, it is advisable to continue increasing the potential of financial measures to support agricultural producers in the context of the expansion of the line of credit products and concessional lending by authorized commercial banks aimed at developing activities related to the introduction of digital technologies. It seems possible to expand the areas of the subsidy system in the context of program-targeted methods of supporting agriculture (subsidizing Russian organizations developing and introducing digital platforms and software products at agro-industrial enterprises), expanding the scope of grant financing (Shkarupa, 2020). Positive dynamics in the development of agricultural insurance and the specificity of agricultural territories emphasizes attracting more insurance companies to regional insurance markets.

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