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TRANSITION PERIOD IN RUSSIAN AGRICULTURE

Report submitted by the State Committee for Statistics
of the Russian Federation

1. Agriculture has always been a most important part of the Russian economy. Foodstuffs and goods manufactured from agricultural raw materials account for more than 70% of the consumer market. In that context, the key priorities in the economic policy of the Russian Government include matters relating to the agrarian reform that envisages the establishment of a new economic system in the countryside.

2. Two fundamental tasks are being tackled in reforming agricultural production in Russia:

- continuation of the policy drive for profound transformations in agriculture;

- stabilization of agricultural production as rapidly as possible and provision of the economic conditions for the successful operation of rural commodity producers in all forms of ownership.

3. The main lines of the agrarian reform and the development of the agro-industrial complex are:

- land reforms;

- ensuring the melding of private ownership of land and other means of production with various forms of the voluntary pooling of resources based on common joint or shared forms of property;

- establishment of a competitive environment through the formation of a multisectoral agrarian economy;

- privatization in the service industries of the agro-industrial complex with transfer of a controlling interest to the workers of agricultural enterprises and the ending on that basis of monopoly in the processing and service sphere, and the creation of a market infrastructure;

- regularization of the system of State support for agricultural production and a decisive reduction in direct State subsidies.

4. Much of what is embodied in the concept of agricultural reform is already beginning to be carried out. In the interests of the consistent carrying through of land reform the finishing touches are being put to its regulatory basis that ensures the rights of land owners, the conditions and machinery for the formation of a market in land, and the retention of its scheduled use under the conditions of a land renting and mortgaging system.

5. Conditions and procedure for the privatization of processing industries and agricultural services that are local monopolies have been established by a decree of the President of the Russian Federation. The general right to participate in privatization is retained for the workforce, and agricultural producers are offered additional possibilities of acquiring a controlling share interest under preferential conditions. Measures are being taken for the establishment of a ramified network of wholesale food markets and auctions that will help to expand the market for agricultural produce.

6. A law on agricultural cooperation that has been adopted regulates a whole range of matters connected with the provision of market services to agriculture, the setting-up of hiring depots and machine and tractor stations, which is a step of particular importance for private farm holdings, and the establishment and operation of leasing companies and marketing, supply and service cooperatives.

7. Financial support for agricultural producers is a thorny problem. What previously existed was an ineffective State financing and bank credit system that took no account of the productive potential of the farm and encouraged attitudes of reliance on support among some managers of agricultural enterprises. The bulk of agricultural output was purchased by the State for centralized stocks from which the food needs of the population were satisfied. The supply of agricultural materials and equipment, in its turn, was also carried out in a planned manner in accordance with allocated stocks and limits.

8. Agricultural commodity producers themselves now decide on the sale of their produce. The State guarantees minimum purchase prices for the most important agricultural produce. Administrative price regulation is not

permitted. A considerable proportion of the output is sold by agricultural producers without passing through the procurement network: in markets, through their own shops and through public catering enterprises.

9. A network of agricultural cooperative banks, some with State backing, is being established to satisfy the credit requirements of agricultural enterprises and farmers, and a land mortgaging system is being introduced to attract commercial capital into the agrarian sector. A developing system of State loans for seasonal expenditures involves a mortgage agreement against the forthcoming harvest. Gradual transition is being effected from the direct budgetary financing of agricultural producers to subsidies payable under particular programmes and for specified use.

10. An analysis of the social and economic situation that has taken shape in Russian agriculture provides evidence of the profound changes that have occurred in the industry in recent years. The re-registration of collective farms and State farms was carried out in 1992-1993. The members of each agricultural enterprise themselves decided what organizational and legal form their subsequent activities should take. Two thirds of the 25,000 collective farms and State farms opted for conversion into new agricultural structures, namely collective, cooperative, joint stock and private enterprises, while one third have retained their former status.

11. Roughly 85% of all the agricultural enterprises operating at the present time are based on the private ownership of land and property; joint stock companies of the closed type and partnerships predominate (roughly 55%). Nearly 90% of all of agricultural output in 1994 was produced in the non-State sector.

12. A start has been made with the process of setting up farm holdings by the transfer of land and property to peasants for commodity production. By 1 January 1995 the country had 279,000 farmers owning nearly 12 million ha of land (an average of 43 ha per farm), including 11 million ha of farmland, of which 8 million ha were arable. Farmers possess 5.2% of all the country’s agricultural land and 6.1% of the arable land.

13. Farmers predominantly grow grain crops (which accounted for 5% of the total grain output in 1994), sunflower seeds (10%) and sugar beet (3.5%). Output from animal husbandry is a small proportion, because it is a highly capital-intensive sector; farmers produce less than 2% of the milk and meat.

14. The small-scale commodity production sector in agriculture is being expanded by the making over of additional land to the owners of private plots, orchards and nurseries, and by increases in their numbers. As a result, the share of private plots in the value of gross output increased from 28% in 1991 to 38% in 1994, and plantings of potatoes from 67% to 84% and of vegetables from 46% to 65%. In the course of these years the sector’s share of cattle increased from 20 to 27%, that of cows from 28 to 36%, pigs from 22 to 31%, and sheep and goats from 31 to 44%.

15. It should be noted that the restructuring of agriculture coincided with the general manifestations of crisis in the country’s economy. Inflation, the

disparity of prices and the marketing difficulties occasioned both by the decline in purchasing power and by the underdeveloped state of the market infrastructure resulted in a contraction of agricultural production. In 1994 gross agricultural output was 9% down on 1993 (in a comparable assessment), which included a 10% reduction in plant production and an 8% reduction in livestock production (the decline in 1993 had been respectively 4%, 3% and 5%).

16. Output of the main plant products has been declining over the last few years (table 1). The greatest shortfall relative to 1993 is to be noted for grain (18%) and sugar beet (45%). Gross harvests of sunflower seeds and flax fibre have fallen by 8%, and of potatoes by 10%. Vegetable production has varied little, with a reduction of 2%.

17. The declining level of production of the main crops has been affected both by a contraction in sown areas and by reduced yields. Relative to 1993 the area of grain crops has fallen by 8%, that of (industrial) sugar beet by 17% and of potatoes by 6%. The yield of these crops was below the previous year's level: by 12% for grain, by one third for sugar beet and by 5% for potatoes.

18. The reduced output of sunflower seeds and vegetables has been due mainly to reduction of the average yield. Following some increase in the areas sown to these crops, the yield of sunflower seeds per hectare declined by 14%, and that of vegetables by 4%.

19. It should be noted at the same time that the situation was made appreciably worse in many regions of Russia in 1994 by adverse weather conditions (severe drought in the spring and summer in the North Caucasus, the South Volga region and West Siberia, and prolonged rain at harvest time in the central regions and the Urals).

20. The bulk of the grain (94%), sugar beet (96%), sunflower seeds (88%), and flax fibre (97%) is grown in agricultural enterprises; the bulk of the potatoes and vegetables (respectively 88% and 67%) is grown on domestic holdings.

21. The continuous decline in soil fertility noted in recent years has been largely conditioned by reduced manuring. In 1994 the amount of manure per hectare was 1.8 tons as against 2.6 tons in 1993. Use of mineral fertilizers fell from 4.3 million tons in 1993 to 2.1 million in 1994, or from 46 to 24 kg per hectare of sown area.

22. The situation in animal husbandry in recent years has been increasingly determined by its low profitability, but also by limited consumer demand and the underdeveloped state of the infrastructure. The general decline in the numbers of farm animals that begun in the late 1980s is continuing, with the increase in numbers on domestic holdings failing to offset a sharp reduction in agricultural enterprises (table 2).

23. The result is a further reduction in the output of livestock products on the animal farms of agricultural enterprises. Some increase in milk yield and

a stable level of meat production are to be noted on domestic holdings. Overall, however, meat production on farms of all types was 10.8 million tons in 1994 (9% less than in 1993), milk production was 42.8 million tons (8% less) and egg production 37.4 billion eggs (7% less).

24. The share of such sectors as pig farming and poultry farming in meat production has been declining in the last few years. Pork does not exceed 28% and poultry 51%. Many agricultural enterprises have reduced their herds of pigs and flocks of poultry as concentrated feed has become more expensive.

25. Meat production calculated per head of the population fell from 51 kg in 1993 to 46 kg in 1994, milk production from 313 kg to 289 kg and egg production from 271 to 252.

26. The effect of the structural changes in animal husbandry has been that the share of domestic holdings in meat production increased from 30% in 1991 to 43% in 1994, that of milk from 26% to 39%, and of eggs from 22% to 28%.

27. Agriculture finds itself in a difficult situation in the face of inflation and the price oligopoly of the partners in the agro-industrial complex (the producers of materials and equipment, on the one hand, and the agricultural processors and traders, on the other hand).

28. In 1994 the cost of agricultural materials, equipment and services increased slightly less rapidly than the prices of agricultural produce, but the gap between them has remained considerable. Whereas prices for agricultural produce rose by 8.8 times in 1992-1993, while those of materials and equipment rose by an average of 13.5 times over the year, the increases in 1994 were respectively 3.0 and 4.2 times.

29. The discrepancy between the rate of increase in the prices paid for agricultural produce and the retail prices of food products continues. In 1994, for example, whereas the average increase in the purchase price of grain was 2.4 times, the price of hulled and rolled products increased by 4.4 times, that of flour by 5.9 times, and that of bread and bakery products by 8.8 times. With regard to meat, milk and their products, purchase prices rose by 2.7-3.3 times and consumer prices by 4.6-6.9 times.

30. The obvious price disparity, taken in conjunction with the irregularity of payment for the produce sold, has resulted in a permanent cash crisis and heavy indebtedness of agricultural enterprises. In particular, wage indebtedness is more than twice monthly earnings, and the average monthly wage of agricultural workers in 1994 was only a half that of an industrial worker and a third of the earnings of a building worker.

31. Agrarian reform is a complicated and long term process. Besides carrying out fundamental and large-scale changes in the forms of ownership, creating a competitive environment and improving the structure of agricultural production, we have to look to the appearance of new people, specialists, managers and entrepreneurs, who will not be weighed down by the weight of tradition and the stereotypes of the administrative and command system.

32. At the present time, in the transition period, previous forms and methods of management in Russian agriculture and old ways of running the sector are tangled up with the new market approaches. In some regions executive bodies still cling, to some extent, to the command style of management and continue to require statisticians to provide day-to-day data on the progress of agricultural operations (sowing, harvesting, the laying in of fodder, the purchasing of produce for State reserves, etc.). Within reasonable limits that is to some extent justified in the transition period, and the activity of statistical bodies will for long remain connected with the collection and processing of current agricultural returns.

33. However, statistical forms and methods will alter in line with the economic and political conditions taking shape. This should be promoted by implementation of the State programme for transition to the internationally accepted accounting and statistical system. The programme has been assessed by statistical experts from international organizations and the statistical services of a number of countries, and no fundamental objections have been raised. Its implementation will give increased stability to the economic and statistical information system and improve the forms and methods used in the collection of data for progress analysis of the economic reforms and the making of objective international comparisons.

34. The switch-over of Russian statistics to international standards is based on conversion of the whole range of calculations of macroeconomic indicators from the national economic balance system (NEB) to the system of national accounts (SNA) accepted in almost all developed countries. In addition to the solution of this problem at the sectoral level, the transition is being made in agrarian statistics to the preparation of balances of the production and use of agricultural produce, that will permit not only determination of the consumption fund of food products, but also analysis of the situation developing in the country’s food market and in the use of resources, and the identification of trends in the nutritional pattern.

35. The structural transformations in agriculture necessitate reorganization of statistical observation of the processes occurring in the sector. This applies, first and foremost, to the introduction into statistical practice of sampling methods that were not prevalent under the conditions of the administrative and command system. The centralized collection and processing of continuous statistical reporting from each agricultural producer will become complicated as the agrarian reform is expanded. With the transition to market relations, the main forms of observation will become censuses, registers and sample surveys.

36. At the same time, it is a very complicated assignment to effect the transition from continuous statistical observation to the sampling method in a short time. The new methods must be carefully tried and tested, and backed by retraining and the provision of technical facilities. Even under these conditions the two systems must operate in parallel for some time in order not to destroy the old without having introduced the new.

37. The Russian State Statistical Committee is of the opinion that the introduction of discontinuous observation methods ought to be carried out on

the basis of a permanent sampling network of agricultural producers. Such a network already exists in practice for agricultural enterprises. It was established through the register of agricultural enterprises (an automated system for the storage and retrieval of basic indicators from annual reports). The sampling base for the creation of the network was a trivariate grouping of resource potential indicators (area of agricultural land, average annual workforce, average annual value of fixed capital assets). The established sampling network will be used to carry out a quarterly study of the parity of prices for the produce sold by agricultural enterprises and the materials and equipment bought by them.

38. Work is in progress on the establishment of a register of farm holdings that will provide the basis for a permanent sampling network for the information needed on their activity. It is proposed to obtain data on sown areas, gross harvests and yields of the main farm crops, the numbers of cattle and the output of livestock products by sampling and subsequent extrapolation to the general statistical population, and thereafter to obtain information on the supply of materials and equipment, and on expenditure and income.

39. Under the conditions of a systematic increase in the potential of personal holdings, to which reference has been made above, State statistical bodies will have to ensure that information on the output of farm produce from this category of holdings is complete and up-to-date. We see the solution to the problem in the refinement of the statistics on domestic holdings: adjustment of the sampling network, updating of the survey programme and the shortening of processing time.

40. We are maintaining good working relations with international statistical organizations and national statistical services to achieve further adaptation of Russian agricultural statistics to the market economy. We are highly appreciative of the methodological assistance that they have given in the development of a data base relying on discontinuous methods, the introduction of international accounting standards and the carrying out of agricultural censuses. We are extremely interested in the last-mentioned aspect, considering that the holding of an agricultural census in Russia will provide an important basis for fundamental changes in agricultural and food supply statistics in our country. In this context we are hoping for detailed assistance from FAO.

Table 1

Main plant products, 1991-1994

	1991-1993 (annual average)	1993	1994	1994	As a % of
				1991-1993 (as an annual average)	1993
Grain (weight after processing)					
Gross harvest, million tonnes	98.3	99.1	81.3	83	82
Yield, 100kg/ha	16.0	16.3	14.4	90	88
Sugar beet (industrial)					
Gross harvest, million tonnes	25.1	25.5	13.9	56	55
Yield, 100kg/ha	181	191	126	70	66
Sunflowers for seed					
Gross harvest, million tonnes	2.9	2.8	2.6	87	92
Yield, 100kg/ha	10.5	9.4	8.1	77	86
Flax fibre					
Gross harvest, million tonnes	79	58	54	68	92
Yield, 100kg/ha	2.6	2.2	4.0	154	182
Potatoes					
Gross harvest, million tonnes	36.8	37.7	33.8	92	90
Yield, 100 kg/ha	109	106	101	93	95
Vegetables					
Gross harvest, million tonnes	10.1	9.8	9.6	95	98
Yield, 100 kg/ha	139	135	129	93	96

Table 2

Farm animals, 1994

	1994		For reference: 1993 as % of 1992	Proportion of total numbers, %	
	Million	1994 as % of 1993		1993	1994
Cattle	43.3	89	94	100	100
Agricultural enterprises	31.1	86	90	74	72
Domestic holdings	11.6	96	104	25	27
Farm holdings	0.62	99.6	154	1	1
Of which, cows	18.4	93	98	100	100
Agricultural enterprises	11.4	89	93	65	62
Domestic holdings	6.7	99	106	34	36
Farm holdings	0.29	101	162	1	2
Pigs	24.9	87	91	100	100
Agricultural enterprises	16.7	82	86	71	67
Domestic holdings	7.9	98	102	28	31
Farm holdings	0.35	100.5	160	1	2
Sheep and goats	34.5	79	85	100	100
Agricultural enterprises	18.4	71	79	59	53
Domestic holdings	15.0	89	94	39	44
Farm holdings	1.15	109	145	2	3
