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STRUCTURAL CHANGES IN THE FARM ECONOMY OF TATARSTAN

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Structural changes in the farm economy of Tatarstan

The Tatarstan economy is a complex assemblage of over 100 modern productive industries.

Within it, farming has a special place. It accounted for 11.3% of total output in 1996.

To some extent, Tatarstan has managed to escape the catastrophic consequences of the adverse macroeconomic factors that in recent years have weighed upon Russian agriculture. This has been due, first, to the leadership's more far-sighted, carefully thought-out approach to the reform of the agrarian sector, which sought to preserve the organizational and economic integrity of commodity production as the basis for agricultural development during the transition period and allow the agro-industrial complex a "soft" entry into the market: this enabled it to keep control of market changes in the farming domain. Secondly, the fact that Tatarstan has been better supplied with resources than other component entities of the Russian Federation and has enjoyed comparatively good weather conditions has had a positive effect on the relatively steady development of farming within the Republic.

Farm output in 1993 was up 2.4% on 1990. Growth in output in 1995 and 1996 was, respectively, 2.0% and 2.2% of 1991 levels. The volume of output in 1997 was 109% of the 1996 level.

The distribution of gross farm output by farming sector (the relation of livestock-raising to crop-growing) reflects the specialized characteristics of each category of farm in the Republic. A decline in the proportion of livestock-raising and an increase in that of crop-growing is the rule for all categories of farm (at the beginning of 1997 they represented 40% and 60% respectively; for comparison, the proportions were 50.2% and 49.8% in 1991). The pattern has been particularly marked on privately worked plots and peasant (individual) farms.

Land reform has directly affected the fate of collective and State farms. Where they have proved inefficient there is now a clear need to convert them into more efficient operations.

In 1997, 895 farming enterprises, or 78%, were operating under new forms of management, including 405 collective enterprises, 278 food-growing cooperatives, 109 peasant farm associations, 20 private and 9 public corporations. At the beginning of 1998 the Republic had 88 collective farms (8% of the total) and 137 State farms (12%).

The predominant form of ownership in the countryside is private. Private ventures produce 95% of the Republic's sugar beet, 84% of the potatoes, 73% of the grain, 80% of the wool and 73% of the milk and raise 56-80% of the livestock and poultry.

It is clear from operating conditions and results that the chief producers of agricultural commodities in Tatarstan over the immediate future will be relatively large collective farms of various organizational and legal kinds, using efficient equipment and advanced technology.

The potential of private holdings continues to grow, and peasant (individual) farms are still being set up. Peasant farms have the same organizational and legal standing as other farming ventures. They are not yet, however, in a position to feed the population, as they face serious difficulties in obtaining material and technical resources.

There were 1,078 such farms on 1 January 1998 (for comparison, there were 250 on 1 January 1992). Their average size was 53.3 hectares. They accounted for 1.3% of the grain harvested on all farms, 0.3% of the sugar beet, 0.5% of the potatoes, and 0.2% of the vegetables. Peasant farmers' contribution to

the production of these crops has remained in essence at the 1996 level. A significant proportion of their output, however, is consumed on the farms. The milk, wool, eggs, grain and potatoes they sell represent no more than 30-60% of what they produce.

Further reform of farming enterprises needs to be directed towards efficient operation on the large, highly mechanized ventures that produce the bulk of the Republic's agricultural commodities, synchronized with the medium-sized and small enterprises that can react more flexibly to the demands of the marketplace.

The Republic's agrarian sector is now working on the vital second stage of the reforms: the creation of farming cooperatives. These will bring together producers and processors in a single entity, as exemplified by the integration process that has already given rise to corporations such as Buasakhar, Zaisakhar, Nurlatsakhar and the agricultural firm Chistai Sote. Next in line will come financial-cum-industrial groups. The first such group is being set up by decision of the Tatarstan Cabinet at the Sosnovoborsky pig farm in Tukaev district and the Pugachev plant in Bugulma.

In parallel with the transformation of State and collective farms, the Republic's food and processing industry is being privatized, mainly by corporatization and the creation of holding companies (Tatarstan Meat Industries, Tatarstan Sote, Tatsakhprom etc.). But the reorganization and privatization are not accomplishing all that they might for a variety of reasons, among them the financial and payments crisis, lingering monopolies in processing industry, and slow progress with small-scale privatizations in the wholesale and retail trade sector.

Retooling to make extensive use of advanced science and technology is a fundamental component of the system of measures being taken to effect the socio-economic transformation of the Republic's agro-industrial complex.

But as reform of the complex began, the adoption of scientific advances suffered a significant slow-down. The agrarian sector currently takes up no more than 20% of the new products and techniques that scientists and technologists develop. Market structures are not yet ready to embrace and make use of scientific advances, and are as a result being oriented solely towards the simplest, commercially loss-free technologies. This is leading to technological inflation and lowering the technological level of production.

Crop-growing. The Republic of Tatarstan covers an area of 4,433,800 hectares, 92% of which is farmland: 81% arable, 1% meadowland and 9% grazing.

Grain and legumes take up the largest proportion of the land sown to crops, with 55%, and fodder crops come second with 38.1%. Sugar beet, vegetables and oil crops account for the smallest proportion.

The Republic enjoyed an unprecedented grain harvest in 1997. Total intake was 6,517,700 tonnes (original recorded weight), up by 32% on 1996. The growth in grain output was due to increased yield (up 34%), while the area sown declined (by 2%).

The main grain and industrial-crop producers are farming enterprises. They accounted for the same proportion of grain and sugar-beet output in 1997 as in earlier years, with 99% of all the grain and 99.7% of the sugar beet.

Potato and vegetable production is concentrated on private holdings.

Livestock-rearing. Livestock development was particularly badly affected by price disparities. Cattle numbers in the public sector fell between 1991 and 1995 by 12% by comparison with 1986-1990, with cows down by 15%; pigs were down by 23% and sheep by 38%. Output of livestock products and derivatives declined accordingly, and animal yields began to fall.

Over the past year private holdings, which account for 26% of the Republic's cattle and 78% of its sheep and goats, have seen a slight increase in livestock numbers except for sheep, which declined by 8%.

Stock retention rose slightly at farming enterprises in 1997 by comparison with the previous year. Cattle plague was down by 15%, losses among pigs down by 10% and losses among sheep by 30%.

The bulk of the meat produced in the Republic is beef, accounting for 46%; pork accounts for 29%.

There are plans to increase output of livestock products by establishing a robust fodder base that can feed all varieties of livestock properly, and by introducing the most economical fodder-producing technologies. For this it will be necessary to increase output of fodder from perennial crops, legumes in particular, from high-protein annual grasses, corn grain, rape, and grain-forage crops.

The Republic is continuing to work on the establishment of its own breeding stock of thoroughbred Friesian cows. Arrangements are being made to transplant embryos from highly fertile donor cows in order to replenish the dairy herd more quickly.

Sales of farm produce. While the payments crisis continues, farms are rushing to use non-traditional methods of marketing their produce. Delays in settlement for produce supplied to procurement organizations, in particular, mean that the payments are worth less when they are received, and farming enterprises are trying to sell more and more by barter, on the markets, or through shops - sometimes at lower prices, but for ready cash. Furthermore, since 1995 farms have sent all their sugar beet to processing companies for processing on their own account, since the profit on the finished product is greater than on the raw material and helps to cover at least part of the costs of production on the farm.

Under the influence of these factors, the pattern of sales outlets used to market farm produce is changing. The proportion of cattle sold to procurement organizations was greatest in 1991, at 84.2%, but had fallen to 33.8% by 1997; the proportion sold on the markets, through breeders' own shops, to the general public under the welfare food scheme (including sales and hand-outs in lieu of cash wages), or bartered has risen accordingly. The situation is the same for vegetables, milk and eggs.

This redistribution is having an effect on prices; procurement organizations' prices for cattle and milk in particular have been lower than those at other sales outlets.

Financial status of farming enterprises. Tatarstan has not wholly escaped the undesirable processes that have brought Russia's farming economy into a disastrous position. Although it managed to maintain farm output at pre-reform levels and even increase it slightly (by 2.5%) between 1991 and 1995, and obtain the highest grain yields in 1996 and 1997 (28.1 centners (1405 kg) and 38.0 centners (1700 kg) per hectare respectively), farming overall remains uneconomical.

Businesses' financial standing has reached a critical condition. By the beginning of 1998 their debts to banks and creditors had risen to 4 trillion roubles; wages are being paid three to six months late. Farming employs around 14% of the Republic's workforce. Average monthly wages in 1997 were 486,000

roubles, or 54% of the average level for the Republic as a whole - in other words, farming continues to be the least well-paid material production sector.

The financial results for farm commodity producers can be summed up as follows: while in 1994 29% of farms ran at a loss, and 38% did in 1995-1996, over 41% did in 1997.

For the agrarian sector, the crisis is acutest in the investment sphere. The overwhelming majority of farming enterprises have exhausted their internal capacity for expanding production, and investment has ceased. Over the years of reform, the total volume of investment - at comparable prices - in the agrarian sector has declined almost tenfold.

Structural change, it must be pointed out, is taking place in the economy at a time of low investment activity.

Faster increases in the cost of industrial products and services to agriculture have affected farming enterprises' financial situations and are the main reason why they have stopped buying many products and services from other organizations. A sample survey of 103 farming enterprises showed that in 1996, one enterprise in 17 had managed to obtain farm machinery and equipment for grain cultivation and harvesting; 97% less than in 1992. Acquisitions of trucks had fallen by 95%, and machinery for cultivating and harvesting potatoes by 93.7%.

Farm commodity producers' difficult financial circumstances have sharply reduced the demand for machinery, and this has led to a substantial fall in the indicators for availability of basic equipment at farming enterprises and disruptions to the schedule for performing farming operations.

Reduced investment, especially in the productive sphere of the agro-industrial complex, can certainly have an adverse effect over the long term. If the investment problem is to be solved, net capital formation will have to rise substantially as a proportion of the agro-industrial complex's gross regional product, financial reserves will have to be mobilized, and foreign capital will have to be drawn in.

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Given the current level of development of agro-industrial production in Tatarstan, a State policy of agrarian protectionism is urgently required. This must be based on the principles, first, of preserving and developing domestic farming as one of the most important sectors of the economy overall; second, of maintaining food security, and with it economic and political security; and third, of maintaining the foreign trade balance by restricting imports and subsidizing exports.

The objectives of restructuring should be a change in the relative proportions of economic sectors, through modernization of production, and the creation of competitive products. Further restructuring will depend on an organizational and economic rearrangement of the science and technology complex, the introduction of an efficient system for managing research and development, the stimulation of science on that basis and the practical application of what science reveals.