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DEVELOPMENT OF THE PRIVATE SECTOR IN AGRICULTURE IN THE STAVROPOL REGION AND ITS ROLE IN RESOLVING THE FOOD PROBLEM

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1. Agrarian reform has made it possible to lay the foundations for a diversified farm economy in the region, to complete some of the land reforms and determine the composition of rural commodity producers distinguished by a large variety of forms of ownership and economic management. At the beginning of 1998 the region had 46 agricultural enterprises retaining the status of collective or State farms, 374 partnerships of all kinds, joint-stock companies and agricultural cooperatives, 22,100 peasant (private) farms and 414,500 families with individual subsidiary holdings.

2. However, the performance of agricultural enterprises of all types in recent years shows that market economy conditions have not helped them to consolidate their financial situation. Price disparities, inflation and marketing difficulties caused both by the reduced purchasing power of consumers and by an underdeveloped market infrastructure in the countryside brought about a decline in the output of agricultural produce.

3. Over a period of seven years (from 1991 to 1997) output from the region's agricultural enterprises decreased as follows: grain by 1.4 times, potatoes and vegetables by 4.7 times, fruit by 2.4 times, meat by 3.9 times, milk by 3.4 times and eggs by 3.2 times.

4. Meanwhile, the liberalization of prices, shortage of food and intensive allocation of plots of land to owners of individual holdings have contributed to the active development of the private sector in agriculture. The 1991 Presidential decree "On urgent measures to implement land reform" has given a strong impetus to increasing the contribution of the private sector in resolving the food problem in the region.

Development of individual subsidiary holdings in the context of land reform

5. Individual subsidiary holdings have experienced many difficulties in the course of their development. From 1965 through the 1970s, when the rural population readily engaged in livestock production on their own homesteads, the local authorities placed every possible restriction on the maintenance of livestock on individual holdings.

6. This was a period when inhabitants of the so-called "unpromising" crop and livestock farms were relocated to central farmsteads, where they were given housing with no proper facilities and were thus gradually discouraged from engaging in private farming.

7. All of these factors had a negative influence on the further development of individual subsidiary holdings.

8. Areas sown to crops on private land increased between 1965 and 1990 by only 2,400 hectares and totalled 39,800 hectares in 1990. Of that total, only 2,800 hectares were used for fodder crops, making it impossible to produce sufficient quantities.

9. There was a gradual decrease in livestock numbers and output from individual homesteads. Between 1965 and 1990 livestock numbers declined 1.5 fold, while production of potatoes, vegetables and milk in 1986-1990 was 4-11 per cent less than 20 years previously (1966-1970).

10. The share of the gross output of individual subsidiary holdings in the total output of all farms during the last years before the reform remained at the level of 19-22 per cent and even showed a downward trend. Revitalization of production on citizens' individual subsidiary holdings therefore required specific measures by the State.

11. The Land Reform Act and Peasant (Private) Farm Act of the Russian Federation considerably improved opportunities for boosting production on individual subsidiary holdings.

12. An active process of forming peasant (private) farms began in the context of implementation of land reform in the region's agrarian sector. Some 22,100 private farms (including associations) were established between 1991 and 1997.
13. A special land fund covering a total of 174,200 hectares was constituted in the region with a view to more fully meeting the needs of citizens and peasant (private) farmers for plots of land. In addition, 360,000 hectares were made available to local administrations for these purposes.
14. The redistribution of land made it possible to expand crop areas in the private sector, which totalled 379,600 hectares in 1997, a 6.7 fold increase over 1991. Land sown to crops on individual subsidiary holdings increased 1.5 fold during those years.
15. With regard to plantings of potatoes, the share of the population (excluding private farmers) in all categories of farms increased from 79 per cent in 1991 to 93 per cent in 1997; the respective figures for vegetables were 29 and 59 per cent.
16. The period 1995-1996 saw a marked recovery in livestock production on holdings belonging to the population. Livestock numbers rose mainly due to improved reproduction of the population's own livestock. In 1997, however, against the background of a general crisis in agriculture, the numbers of cattle and poultry owned by the population showed a slight decrease. Nevertheless, at the beginning of 1998 individual holdings accounted for 37 per cent of all major livestock in the region, 51 per cent of cows, 52 per cent of pigs and 26 per cent of sheep and goats.
17. The share of the private sector with respect to all types of livestock was 4-7 percentage points higher if account is taken of private farmers.
18. The increased areas sown to crops and larger numbers of livestock have helped to boost output.
19. In 1997 as compared with 1991, production on individual subsidiary holdings of the population (excluding private farmers) increased as follows: potatoes by 23 per cent, vegetables by 21 per cent, meat by 8 per cent and milk by 1.4 times.
20. Between 1991 and 1997 the share of individual subsidiary holdings of the population in total production from all the region's farms increased as follows: potatoes from 78 to 94 per cent, vegetables from 25 to 63 per cent, meat from 34 to 70 per cent, milk from 22 to 57 per cent and eggs from 49 to 67 per cent.
21. Moreover, the share of individual subsidiary holdings in total agricultural production was 40 per cent in 1997, as against 22 per cent in 1991, and the corresponding figure for the private sector as a whole was 45 per cent, as against 22 per cent.
22. Nevertheless, the enormous potential of the population's individual subsidiary holdings is not being sufficiently utilized. In the rural parts of the region the proportion of holdings with no livestock has scarcely decreased.
23. According to the census of livestock on 1 January 1997, subsidiary holdings possessed 44.2 per cent, i.e. approximately the same amount as on 1 January 1992 (prior to the land reform).
24. As shown by the surveys conducted by the statistical offices, one of the main reasons for the absence of livestock on holdings belonging to the population continues to be the difficulties in obtaining fodder.

25. Agricultural enterprises are doing little to help citizens by providing land for hay-making and grazing. Sales of young cattle and poultry to the population have also decreased.
26. Whereas in 1991 agricultural enterprises sold the public 350,200 piglets, only 138,900, or 2.5 times less, were sold in 1997. A total of 9.6 million head of young poultry were sold last year, as against 46.9 million in 1991.
27. All this creates substantial difficulties for people wishing to become involved in raising cattle and poultry.

Development of private farming

28. Private farming was already beginning to develop in the region in 1980-1990, when citizens engaged in providing fodder for livestock and growing vegetables under contract with collective and State farms on mutually advantageous conditions.
29. Officially, however, the establishment of private farms in the Stavropol region began in the second quarter of 1991, when four farms were registered in the Kochubeev district. By 1 January 1998 their number had increased to 22,000, of which 14,300 are individual private farms and 7,700 are run by associations established on the basis of collective or State farms.
30. Private farms have been allocated a total of 548,200 hectares, or 8.8 per cent of the region's total land area. The average size of a private holding is 24.9 hectares.
31. These holdings are not very large but farmers are nevertheless unable to work them and improve the fertility of the land on their own, and this is now leading private farmers to join together in farmers' cooperatives and associations.
32. Such associations are based on the voluntary pooling of land, financial and material resources for joint farm management. An inter-farm association is generally made up of between 6 and 15 individual private farms. As a result, the agricultural land area is considerably increased and this is yielding positive results. More than 80 per cent of the region's private farmers belong to inter-farm associations.
33. The statistical reporting from farmers on livestock numbers, plantings, crop production and output of livestock products shows that the role of this sector in the region's food resources is still insignificant. The share of private farmers in total gross output increased from 2 per cent in 1992 to only 5 per cent in 1997.
34. There continues to be one-sided specialization on private farms. That is, such farms are basically engaged in growing crops, especially the less labour-intensive and more advantageous crops - grains and sunflower.
35. Crop production accounts for more than 70 per cent of total agricultural output. As before, few private farmers engage in livestock production for several reasons: the unprofitability and labour intensiveness of livestock production, limited supplies of fodder and shortage of livestock buildings.
36. Private farms are unlikely soon to become reliable suppliers of food and of raw materials for industry. For the time being they are only able to supply their own families fully with milk. It had been calculated that, per family member, individual private farms in 1997 produced almost 2.5 times less meat than was required in the region to meet actual per capita consumption.

37. From their own production, private farms are able to supply the population's annual needs to the extent of only 2.6 per cent for potatoes, 3.6 per cent for vegetables, 3.3 per cent for milk and 1.2 per cent for meat.
38. The total crop area on farms in 1997 was 296,300 hectares, or 2.1 times more than in 1992. As before, emphasis is placed on grain crops (71 per cent of the total), fodder crops (11 per cent) and industrial crops (16 per cent). Labour-intensive crops - potatoes and vegetables - are allotted an insignificant place (2 per cent).
39. Harvests on peasant (private) farms in 1997 declined in comparison with the previous year and yields for all crops were markedly lower than in agricultural enterprises.
40. The lower productivity of arable land on private farms is largely attributable to failure to observe good cropping practices. The application of fertilizers is important to ensure high yields, but most private farmers are not able to buy mineral fertilizers and plant protection chemicals because of their high cost. For the 1997 harvest, according to the Ministry of Agriculture, private farmers managed to obtain, from all sources, about 4,000 tonnes of mineral fertilizers, i.e. an average of 8.5 kilograms per hectare for grain crops (agricultural enterprises applied 60 kilograms per hectare). For lack of working capital many private farmers have not been using fertilizers.
41. Despite such difficult conditions, however, a number of private farmers are managing to increase yields per hectare. Izobilny district farmers Evgeny Aleksandrovich Sharapov and Nikolay Petrovich Gladkikh grew a record harvest of maize, obtaining 100 quintals/hectare from an area of 50 hectares. On the "Rus" peasant farm in the same district, the pea crop yield was 30 quintals/hectare from 20 hectares, and Vladimir Nikolaevich Kopchenko in the Levokumsky district obtained 34.1 quintals/hectare.
42. In the Petrovsky district the head of the "Volodino" farm, Aleksandr Egorovich Shchedrin obtained a winter wheat yield of 47.8 quintals/hectare from 450 hectares, and a sunflower yield of 17.9 quintals/hectare from 200 hectares. The head of the "Don" farm, Antonina Iosifovna Skokovskaya, obtained a winter wheat yield of 34.1 quintals/hectare from 200 hectares.
43. Private farmers are taking an active part in regional programmes such as the "Sugar" programme. The head of the "Agro" peasant farm in Novoaleksandrovsky district, Ivan Petrovich Golovach, obtained a sugar beet yield of 460 quintals/hectare from 188 hectares.
44. Private farmsteads have increased their livestock herds in the last three years. According to the livestock count on 1 January 1998, livestock numbers on all private farms (excluding associations) increased 1.3-2 fold by comparison with 1 January 1995. Nevertheless, one private farm in five has no livestock, one in two has no pigs or sheep, and one farm in three keeps no cows or other major livestock.
45. The share of livestock held by peasant (private) farmers in total livestock numbers for all categories of farms is insignificant and represented only 2-5.5 per cent as of 1 January 1995.
46. The development of livestock production by private farmers is hampered by lack of suitable buildings. Despite the recommendations of the Ministry of Agriculture and Environment, heads of collective farms are either unwilling to lease empty livestock buildings or else demand large rents for them. Only 40 livestock buildings have been handed over. In 1997 13 farmers were paid 1.5 billion roubles to meet 50 per cent of the construction costs of livestock buildings. It is obviously not possible to increase the output of livestock products with such funding. Other measures are required, in the form of preferential long-term credits, changes in tax policy and the association of processing enterprises and combined feed plants in a single chain.

47. Under the programme for the construction of processing facilities, 46 mills, 39 bakeries and confectionaries, 20 oilseed plants, 19 hulled grain processing plants and 8 sausage making plants have been built.

48. Capital investment for the acquisition of equipment totalled more than 40 billion roubles, and 5.9 billion roubles, or 14.7 per cent, were allocated from the regional budget on a refundable basis to support farmers over a period of two years. The remaining funds were invested by farmers from their own working capital.

49. However, as an analysis of the performance of the plants shows, many are operating at only 19 to 70 per cent of capacity, with the result that planned expenditures per tonne of produce are increasing and the plants are making a loss rather than a profit. Private farmers have used their own resources to build 171 granaries and 156 sheds and other storage facilities for grain. Expenditures totalled more than 78 billion roubles.

50. Equipment worth 8.2 billion roubles was obtained in 1997 on lease from the joint-stock company Stavropolagropromsnab.

51. With regard to leasing, farmers are expressing their dissatisfaction at the fact that the cost of equipment under leasing arrangements is greater than in commercial structures and the quarterly rental is discouraging the acquisition of equipment.

52. The Government of the region and the Ministry of Agriculture and Food have taken every possible step to support private farmers with material resources and ensure the fullest possible implementation of the programme to help farmers in 1997.

53. For spring field-work the Government of the region allocated farmers more than 4,000 tonnes of grain of class 3 wheat from the food fund to be exchanged for summer crop seeds. At the beginning of the year they received mineral fertilizers worth 2.3 billion roubles, through a mutual account in the form of an interest-free loan, together with fuel and lubricants worth 4.1 billion roubles.

54. In addition, mineral fertilizers and spare parts worth 2.1 billion roubles were made available to farmers for the grain harvest under commodity credit arrangements through contracts with the Stavropolagrouniversal corporation. Assistance was provided in the form of an interest-free loan of 1.9 billion roubles to build processing facilities.

55. A total of 1.5 billion roubles were paid to meet 50 per cent of the cost of construction of livestock buildings.

56. A total of 9,737 million roubles were made available from the region's budget. The provision of budget resources per holding in 1997 was 0.64 million roubles, with a minimum requirement of 5.5 million roubles.

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57. Thus, an analysis of the emergence and development of the private sector in agriculture, and especially of private farms, shows that the socio-economic changes taking place are necessary but painful. Many negative aspects relate to a lack of the necessary conditions for the farms to function.

58. Changes in agriculture were ill-prepared in terms of methodological substantiation, legal support, use of market machinery and development of the resource base.

59. The State has not provided adequate financial support, including for private farms, and it has played a weak regulatory role through the system of market mechanisms.

60. As a result, considerable numbers of farmers have treated the land as a beneficial investment without taking account of the interests of society. This has given rise to a stratum of so-called "white farmers", i.e. new owners who do not work the land themselves but use only cheap hired labour.

61. Under these conditions the hopes that private farmers would feed the country have not been justified. Moreover, on average throughout the region, they provide considerably less agricultural produce per unit of land area than collective or State enterprises.

62. At the same time, individual subsidiary holdings have continued to develop relatively steadily, and some might under certain conditions serve as a basis for the establishment of private farms.

Proposals for the improvement of agricultural statistics

63. The displacement of agricultural production towards the individual sector requires substantial changes in the system of statistical observation. The federal programme of statistical work provides largely for information on the activities of agricultural enterprises based on exhaustive reporting. Insufficient attention is given, in our view, to studying the situation of individual holdings and private farms. The State Statistical Committee's guidelines on sample surveys of agricultural production from private farms are unlikely to ensure objective information. Considering that the public, and especially the rural population, for the time being often fail to appreciate the importance to the State of farm surveys, there is uncertain support from local authorities for such activities. The interviewer has a difficult and responsible role, chiefly as a communicator, but because of the extremely low pay this work mostly attracts unskilled people.

64. Accordingly, in view of the funds allocated for agricultural surveys, we suggest that the sample be reduced by half, thereby ensuring that inquiries are conducted to a higher standard. In addition, the sample survey form No. 2 approved by the State Statistical Committee of the Russian Federation does not include questions making it possible to study more fully the problems encountered by small-holders in agricultural production, their expenditure on labour and materials, the standard of veterinary and other services, channels for the marketing of products, use of credits and conditions for granting loans, and the amount of assistance provided by agricultural enterprises (ploughing, chemical treatment, provision of fodder, etc.). We consider that it would be advisable for form No. 2 to be supplemented by a questionnaire covering some of the above-mentioned questions.
