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EXPERIENCE IN CONDUCTING SAMPLE SURVEYS OF MARKETS FOR FOODSTUFFS IN THE RUSSIAN FEDERATION

Prepared by Mrs. Mrs. Elena SEDOVA , State Committee on Statistics of the Russian Federation.

Experience in conducting sample surveys of markets for foodstuffs in the Russian Federation

The liberalization of the Russian economy, the abolition of the centralized system for the distribution and supply of goods which had operated under the command economy and the abolition of the State monopoly on foreign economic activity have created a completely new situation in the markets of the Russian Federation, in which there is a correlation between demand and supply and individual enterprises have the power to apply market mechanisms flexibly and operate in a competitive context. At the same time, disparities in the economic conditions in which producers have found themselves, the primitive nature of the market infrastructure, as well as dumping by foreign producers, have led to imbalance in the functioning of the market which has adversely affected the state of the economy as a whole.

Against this background the Government of the Russian Federation, wishing to study the state of the market for specific goods and draw up the requisite administrative decisions, commissioned the Russian State Statistical Committee to monitor the evolution of commodity markets.

Currently the commodity market is one of the priority areas for statistical research. The statistics must reflect the state of the market, describe its structure and trends, assess fluctuations in it and reveal the influence of a number of factors which affect it. This gives rise to the need to create a system of permanent observation of the state of commodity markets, to serve as a basis for revealing all the interrelations arising in the process of the circulation of goods as well as efficiency in the marketing and sale of goods.

A programme for a special sample survey of commodity markets was devised, featuring the following sets of indicators:

Institutional description of the players in the market	Regional structure of the commodity market	Structure of the trading network	Description of the infrastructure of the commodity market	Business activity of the players in the market
1	2	3	4	5

By players in the market are meant producers of goods, enterprises engaged in processing, wholesale trading organizations and consumers of goods (in most cases, retail trading organizations).

The indicators in **set 1** - Institutional description of the players in the market - reflect the volumes of the output and disposal of goods, the average number of employees, the average capacity and the main indicators of financial and economic activity - costs, revenues from sales, profit or loss and ratio of profit to capital assets. The indicators in this set furnish overall information on the type of enterprises operating in a given commodity market, efficiency in their activities, and also the share of the enterprises being monitored in the overall total.

The indicators in **set 2** - Regional structure of the commodity market - contain data on the volumes of sales of raw materials or finished goods and purchases of them (in physical and value terms) on a geographical basis: within the region, in other regions of the Russian Federation, and exports or imports to and from CIS countries and other countries. The indicators in this set make it possible to define the direction of flows of goods and the geographical dimension of economic links.

The indicators in **set 3** - Structure of the trading network - reflect the outlets for raw materials and finished goods: traditional purchasers - procurement agencies and processing enterprises; enterprises in other sectors of the economy, in exchange for materials and equipment (the channel of which most extensive use has been made in recent years, as the phenomenon of non-payment and the chronic shortage of real monetary resources has spread through the economy); or directly to the population through producers' own trading institutions.

The indicators in **set 4** - Characteristics of the infrastructure of the commodity market - reflect the existence of the requisite conditions for marketing and storage of goods: storage facilities, transport, access routes, etc.

The indicators in **set 5** are grouped together in an additional survey sheet intended for players in the market and contain, together with questions reflecting the intentions of entrepreneurs as regards the raising or lowering of volumes of production and sales, the state of the order book and changes in stocks of goods, questions which throw light on the reasons for specific business decisions and on the overall situation in the market concerned.

Two or three special sample surveys of food markets are conducted each year. The choice of a specific market is made not by the Russian State Statistical Committee but by other economic departments - principally the Ministry of the Economy, with the help of the State Anti-Monopoly Committee, as dictated by the current economic situation.

The survey covers the main players in a given commodity market in each region. However, small enterprises and even individual entrepreneurs in the market are also selected. The selection is effected by the local statistical committees with the help of local economic and anti-monopoly departments. As a rule, the total number of organizations surveyed in the regions selected does not exceed 80 or 100 enterprises.

The findings of the survey are drawn up at the regional level, and summary information is forwarded to the federal authorities. However, in each area data on three to five major purchasers of raw material and finished goods are identified to make it possible to evaluate the degree of concentration in the commodity market concerned (with the help of a calculation of the well-known CR and HH coefficients*) and establish a level competitive playing field for all those operating in it.

It should be pointed out that the initial task involved in such investigations is indeed that of evaluating competition and the degree of monopoly control in individual markets. However, as regards the market for produce from agriculture - the sector which, together with light industry and the food industry and other parts of the agro-industrial complex, has encountered the most difficult conditions during the transition to a market economy - this task arises on a somewhat different plane, that of the overall evaluation of the economic situation in the market for raw materials and food, and identification of the reasons and factors for a given situation.

In general, the following phenomena are typical for the agricultural market in the Russian Federation.

Agricultural production is distinguished by a low degree of concentration: the share of the largest producers in individual regional markets does not exceed 10-15 per cent.

As a rule, agricultural markets are local markets where goods are marketed predominantly to consumers from the same region. The poor development of interregional links in the market for agricultural produce is also due to the diversified structure of agricultural enterprises. This assertion does not apply to the market for grain, which, taking into account geographical considerations affecting the sale and purchase of grain as a raw material for processing industry, may be grouped with the markets at the federal level.

- In the processing of agricultural produce, in contrast, the monopoly position of processing enterprises has been maintained, as a result of the structure of the regional economy created in the context of the administration and command system, in which all the produce was supplied to one or two enterprises in each administrative unit (grain elevator, dairy plant, meat-processing combine, fruit and vegetable procurement office, etc.), which performed the role of State procurement agency and supervised the implementation of the State procurement plan by agricultural enterprises. The processing and procurement enterprises, which are at the same time monopoly suppliers of foodstuffs to the retail trade network and to the population on the regional market, set monopolistically low prices for purchases and monopolistically high prices for sales of produce, thus restricting the expansion of output by agricultural commodity producers, as well as the marketing of their own produce. However, recently a trend has been observed towards more balanced prices, as the processing enterprises themselves are also

experiencing difficulties both because of the shortage of raw materials stemming from the drop in agricultural output, and with the marketing of the produce.

- Restricted effective demand and a shortage of cash in the market for agricultural produce have given rise to trends whereby agricultural enterprises develop their own processing base to enable them to sell their output on more advantageous terms and to sell direct to the population, transfer their produce to processing enterprises for processing followed by return for independent disposal, or barter produce in payment for materials and equipment received. Such trends are also characteristic of the activities of industrial enterprises.

Structural data on the disposal and acquisition of various foodstuffs are given below:

	Amount sold (percentage of total volume)						Amount bought (percentage of total volume)					
	Total	Of which:					Total	Of which:				
		To processing enterprises	To wholesale trading organizations	To retail trading organizations	To the population	Other channels (barter)		From producing enterprises	From wholesale trading organizations	From retail trading organizations	From individuals	Other channels
Pork:												
Agricultural enterprises:												
Pigs for slaughter or raw meat	100	60.3	9.8	4.9	20.6	4.4	X	X	X	X	X	X
Finished meat products	100	28.6	4.8	32.2	24.4	10.0	X	X	X	X	X	X
Processing enterprises:												
Pigs for slaughter or raw meat	X	X	X	X	X	X	100	69.7	12.9	-	0.2	17.2
Finished meat products	100	-	36.9	39.4	19.3	4.4	X	X	X	X	X	X
Wholesale trading organizations												
Finished meat products	100	-	81.5	10.8	7.7	-	100	29.8	21.7	-	48.5	
Retail trading organizations:												
Finished meat products	X	X	X	X	X	X	100	22.1	42.6	-	10.1	25.2
Grain:												
agricultural enterprises	100	7.7	35.7	-	10.2	20.7	X	X	X	X	X	X
Processing enterprises	X	X	X	X	X	X	100	14.5	30.9	-	3.0	36.7
Wholesale (procurement) organizations	100	-	21.7	-	5.7	71.6	100	37.6	15.8	-	0.7	45.9

The data provided illustrate the process of displacement of outlets and the involvement of non-trading enterprises from other sectors of the economy (identified in the table as “other channels”) in the circulation of agricultural produce. These enterprises, having received agricultural produce in payment for goods and services supplied to the producers, seek ways and means of selling it in turn.

- The share of wholesale and procurement organizations in the market for domestic agricultural produce is falling. Their involvement in the process of selling the produce, in the view of the producers, limits sales still further because the price of the produce is increased by the amount of the wholesale margin. In these circumstances, the wholesale organizations are becoming the main channel by which imported foodstuffs reach the domestic market. Together with the purchase price, the main factors which are pushing the wholesale sector towards buying imported produce are, according to survey data, the high quality of the produce, the fact that the suppliers respect deadlines, and the fact that the goods are paid for as and when they are sold.
- Domestic producers of food cannot always compete with foreign producers of foodstuffs, since domestic prices are frequently higher than the prices of similar foreign produce.

Imports of food have already been the subject of anti-dumping investigations on a number of occasions, and the matter has been considered by a special Government committee on foreign trade. Specifically, because of the difficult economic situation affecting Russian producers of sugar beet and sugar, VAT was imposed on imports of Ukrainian sugar in 1997, later to be replaced by a procedure involving quotas on imports of sugar from Ukraine to Russia.

Imports of foodstuffs have reached a third of total Russian production of meat products, and occupy a significant place in the supply of dairy products and fruit and vegetable output.

A revival in the market for agricultural produce is being hampered by the traditional forms of trading relations among partners, the scant use they make of market instruments, such as the use of a flexible system of prices and discounts for regular customers and wholesale buyers, the undeveloped services sector, etc.

At the same time, most of the enterprises surveyed have no plans to reduce production and are seeking ways out of the present economic situation. Many of them intend to increase cooperation with foreign partners in the field of modern processing technologies, storage management and other parts of the agro-industrial complex.

The data from the sample survey of food markets are circulated to a wide range of departments, which use them in preparing the corresponding decisions.
