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MAIN PATHS OF REFORM, RECOVERY AND DEVELOPMENT OF THE AGRARIAN SECTOR IN THE PENZA REGION

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1. The farming sector of the Penza region has a strong production potential. In 1997 there were 2,325,400 hectares of agricultural land in use, including 2,318,400 hectares of arable land. Agricultural enterprises employ 115,300 people. Fixed assets are valued at 28.8 trillion roubles.

2. Significant changes have been made during the years of reform in the region's agricultural sector. The land and property of collective and State farms have been handed over free of charge to the workers, either collectively or individually. The countryside now has a real proprietor, a private farm sector has been formed and a diversified economy has developed. The small-scale commodity sector has expanded following the allocation of land to the owners of individual subsidiary holdings, orchards and vegetable gardens.

3. State enterprises still retain a quarter of the production potential of the region's agricultural sector.

4. As of 1 January 1998 agricultural production was being carried on by 46 collective farms, 61 State farms, 366 partnerships, joint-stock companies and agricultural cooperatives, etc., and by 2,062 peasant (private) farms. Some 224,500 families have their own individual subsidiary holdings and 265,000 families are engaged in collective fruit and vegetable growing.

5. In 1997 the population's individual subsidiary holdings accounted for almost half of all the region's agricultural produce in money terms.

6. They produced virtually all of the region's potatoes, 92% of its vegetables, fruit and berries, more than half of its meat, milk and wool, and a third of its eggs.

7. Private homesteads keep a third of the region's major livestock, almost half of its cows and pigs, and 82% of its sheep and goats.

8. Nevertheless, the large agricultural enterprises remain the main suppliers of agricultural produce to the food markets of the region.

9. As practice has shown, these forms of economic management are not inconsistent with a market economy and at present have advantages over the new economic entities. Some of these farms do not require further reform, particularly those which are earning a profit and have a good production and technical base and socio-communal conditions. In 1997 the region had 47 such farms (10% of the total number). Their operations, including livestock production, were profitable.

10. The farms performing best were the “Pugachevskoe” limited partnership, with a profitability rate of 185.1%, the “Elansky” farm (30.2%), the Kurganovskoe cooperative (18.4%), the “Olkhovskaya” poultry factory (17.1%), the Varvarovsky State farm (12.9%), the “Progress” State farm (7.8%) and the “Penzenskaya” poultry factory (4.2%). Profits on these farms ranged from 1 to 3 billion roubles.

11. However, as practice shows, the overall negative economic trends hampering the development of agriculture have not yet been reversed. Inflation, an enormous budget deficit, more expensive credit facilities and cases of non-payment have taken their toll in all branches of agriculture. Moreover, agriculture is suffering from the severe conditions of price disparity, has been deprived of its previous levels of State support and has lost the usual channels of supply of products and acquisition of material and technical resources. Because of the population's reduced purchasing power, a considerable proportion of the goods produced is not in demand and there has been a lower level of consumption of foodstuffs by the inhabitants of the region.

12. Average per capita consumption decreased in 1996 compared with 1991 by 37% for meat and meat products (26% in the Russian Federation as a whole), by 32% (35%) for milk and dairy products, by 31% (28%) for eggs, by 17% (13%) for vegetables and by 53% (44%) for fish and fish products.

13. The production potential of the agrarian sector is declining. Capital investment over the past five years has dropped 5.7-fold. In 1996 5.6 times more fixed assets were retired than brought into use. The level of technical provision of agricultural enterprises has fallen. The availability of farm machinery in the region's agricultural sector has declined by 19-48% in the last six years (1991-1997).

14. Virtually all work on improving soil fertility and reclaiming land has ceased. There has been a sharp reduction in the use of organic and mineral fertilizers (by 8 and 35%, respectively).

15. Less work is being done on drainage, irrigation and reclamation of land. Measures to protect crops against pests and diseases are being curtailed. Livestock numbers and livestock productivity have fallen, and the genetic potential is deteriorating. At the beginning of 1998, as compared with the beginning of 1992, the numbers of major livestock on farms of all categories had declined by 49%; this included a 31% reduction in the number of cows and a 78% reduction in the number of sheep and goats. In terms of livestock numbers, the region has found itself at the level of the 1950s.

16. Output of the main livestock products is continuing to fall. In 1997 by comparison with the mean annual level of 1991-1995, meat production decreased by 46%, milk production by 31% and egg production by 26%. In terms of the output of livestock products, the region has been set back almost 30 years.

17. Last year offered quite favourable weather conditions for growing crops. By comparison with 1996 output of grain on farms of all categories rose by 42%, an increase of 25% relative to the mean annual level for 1991-1995; the figures for sunflower were 26 and 41%, and for vegetables 9 and 33%, respectively. At the same time, sugar beet production fell by 24% compared with 1996 or by 42% relative to the 1991-1995 level.

18. The higher gross crop yields in 1997 halted the decline in production and permitted an increase compared with 1996. In value terms crop production increased by 20% and livestock production fell by 6%, while overall gross output rose by 9% and totalled 3.9 billion roubles (in denominated prices).

19. There has been a shift from relatively low-profit livestock production to more profitable crop production, whose share increased from 46% in 1991 to 53% in 1997.

20. Considerable changes have also taken place in the composition of agricultural goods producers. The share of the population's own holdings in agricultural production rose from 35% to 42%, as a result of which the role of individual subsidiary holdings in the shaping of the region's food market has markedly increased.

21. Against the background of a general financial and economic crisis and in view of the decline in production from agricultural enterprises, individual subsidiary holdings of the population are beginning to assume an economically independent form on an equal footing in the farming sector.

22. Nevertheless, the population's individual subsidiary holdings are encountering serious operational difficulties.

23. A farm survey has shown that one of the main factors retarding the development of livestock production on individual subsidiary holdings continues to be the difficulty of obtaining fodder. In recent years there has been a substantial reduction in the amount of fodder allocated from social production. The area of hayfields and pasture land made available to the public is diminishing, since much of this land has been plowed up or allocated for collective fruit and vegetable growing.

24. Serious difficulties are being experienced by the public in selling their products, especially when the holdings are at a considerable distance from market outlets.

25. Meanwhile, agricultural enterprises and consumer cooperatives have virtually stopped buying surpluses of products from the public.

26. In view of the imbalance of the economy, the financial insolvency of agricultural enterprises, the generally high cost of living and systematic delays in the payment of wages, revenues from individual subsidiary holdings are becoming comparable to income from work in social production.

27. A survey of more than 300 homesteads has shown that almost half are actually living on income earned from the sale of their own produce.

28. There are many unresolved social problems in the countryside. Fewer homes, culture and health institutions, service enterprises and children's day-care centres are being built.

29. Further development of the population's individual subsidiary holdings will require State support. This means reducing the tax burden and providing credit incentives, expanding the network of farms to supply the population with young cattle and poultry, as well as seedlings, strengthening the material and technical resources of such farms and dealing with a number of social problems concerning the procedure for determining length of service and awarding pensions and allowances for citizens engaged in individual subsidiary farming. With the development of intermediation services and increased opportunities for marketing products through various channels, the population's individual subsidiary holdings may become an important force in the further development of the farmer's movement in the Penza region.

30. The development of private farming is an important component of the formation of a diversified agrarian sector in the region.

31. However, effective forms of State support for peasant (private) farms have yet to be found. The role of this part of the agricultural sector in total output (1%) does not correspond to its land and labour resources. For purposes of comparison, the population's individual subsidiary holdings, while occupying an equal land area, produce about half of the region's agricultural output.

32. As of 1 January 1998 the region had 2,062 private farms with a land area of 92,300 hectares (on average 45 hectares per farm).

33. Because of limited financial support from the State, in the absence of other sources of funding and given current rates of inflation, private farmers' activities are limited to the production of goods that are advantageous from the economic, organizational and productive standpoint (recoupment of costs, rate of profitability, low labour costs, etc.). Many private farmers prefer to engage only in crop production precisely for these reasons.

34. Crops accounted for almost three quarters of the total output of peasant (private) farms in 1997.

35. Private farms allot 79% of their sown area to grain crops, 10% to fodder crops and 11% to industrial crops.

36. These farms do not differ from agricultural enterprises either in terms of the effectiveness of production or in terms of higher yields or quality of output. In 1997 private farms utilized 44% of the available land for agriculture (85% on farms in the social sector). This is largely due to the lack of financial resources to purchase seeds, fertilizers and fuel and to hire farm machinery. Many private farmers are forced to sow ungraded seed in poorly prepared soil without mineral or organic fertilizers. Good cropping practices are not, therefore, being applied and the land is being used less effectively.

37. The lack of preparation of many private farmers for independent production, the refusal of preferential credit terms, the lack of any real State support and an inability to compete with the large enterprises are leading to the break-up of many private farms.

38. In 1997, for example, 264 private farms went out of business (95 in 1992). Since the beginning of the organization of peasant (private) farms a total of 1,843 (89% of the number on 1 January 1998) have collapsed. Nevertheless, the region has a number of peasant farms which in 1997 achieved record results in crop production:

(1) The director of the "Luch" farm in Kamensky district, F.A. Chernyshov, obtained a grain crop yield of 29.6 quintals/hectare from an area of 120 hectares;

(2) The director of the "Step" farm in Kolyshleisky district, M.M. Chichenkov, obtained a grain crop yield of 25 quintals/hectare from 205 hectares;

(3) The director of the "Zemledelets" farm in Mokshansky district, A.G. Dmitriev, obtained a spring wheat yield of 25 quintals/hectares from 100 hectares.

39. The future of private farms will be determined to a large extent by the formation of various kinds of cooperatives (production, marketing and credit cooperatives) and direct support from the State. Without budget support from the social sphere, preferential taxation and credit facilities as well as direct financial support to improve the fertility of the land, the farmers' movement will find it hard to survive the transitional period.

40. Despite the considerable drop in their output, agricultural enterprises are still the main producers of farm products.

41. In the six years since the beginning of the reforms most collective and State farms have been reorganized and re-registered. The enterprises now operating in the region are mainly based on private ownership of the land and property. However, despite the great variety of organizational and legal forms, the reorganized farms have one common element: they are all the result of the transfer from public to private ownership and continued collective use of the means of production.

42. As of the beginning of 1998 the major agricultural enterprises were characterized by outdated materials and equipment, insecure finances, considerably depleted natural and biological resources and generally ineffective organization of production. These factors have led to a reduction in the productive and financial potential of agricultural enterprises.

43. In 1997 acquisitions of tractors and combine harvesters fell almost 100-fold compared with 1991 and at year end the total was 21 tractors and 15 grain harvesting combines. In 1997 agricultural enterprises acquired only two sowing machines, 23 cultivators and 11 ploughs, whereas the figures for 1993 had been 200, 380 and 274, respectively.

44. There are still difficulties in livestock production. Compared with 1991 livestock numbers have decreased 2.9-fold, including 2.1-fold for cows, 6.0-fold for pigs and 22.4-fold for goats.

45. Productivity figures for cows in the region are the same as in the early 1950s, and those for hens are comparable to the early 1970s.

46. Meat production (sales of cattle and poultry for slaughter, in liveweight) decreased 5-fold, while milk production fell 2.8-fold and egg production 1.8-fold.

47. The greatest difficulties are being experienced by livestock complexes and poultry farms which were established without their own fodder resources and are now unable to acquire fodder at free market prices, with the result that they have been forced to reduce their livestock numbers. A survey of the performance of livestock units shows that the level of attainment of design capacity in dairy complexes was 29%, while for beef production it was 4% and for pig production 7%. Some units are operating at only 0.4-0.7% of capacity. The largest pig meat producer, the "Pankratovsky" State farm, has ceased operation. The same applies to the pig breeding units on the Kulakov State farm in Zemetchinsky district, the "Tamalinskoe" peasant farm, the dairy unit of the Penza State farm and technical institute, and the meat production unit on the "Malosergeevskoe" peasant farm in the Tamalinsky district.

48. In recent years, because of losses made in the production of mutton and wool, there has been a tendency for agricultural enterprises to reduce their numbers of sheep and most have even eliminated their sheep-rearing farms.

49. The financial situation of farms remains extremely hard, the number of loss-making farms is rising from year to year and profits from agricultural production are declining.

50. In 1997 losses in agricultural enterprises were estimated at 565.9 billion roubles, or 103% of the previous year's level, and the level of loss-making at 29%. Only 47 farms (10%) made a profit during the year.

51. Agriculture used to be the region's largest creditor and the debts of agricultural enterprises in the region are constantly increasing.

52. For the agro-industrial sector as a whole, creditor indebtedness exceeds debtor indebtedness by a factor of 8 and totals 1,620.7 billion roubles, including 1,339.6 billion roubles (83%) in overdue repayment of debts. As of 1 January 1998 459 farms in the region (97%) had wage arrears totalling 173.3 billion roubles.

53. Wages in agricultural enterprises are 1.6 times lower than in the economy as a whole and even 28% lower than the minimum subsistence income.

54. The output and financial performance of agricultural enterprises show that the agrarian reform has not helped to achieve one of the main goals, namely to increase the effectiveness of agricultural production.

55. The reorganization of collective and State farms in most cases has been formal, amounting only to a conventional division of land and property, and has not affected intra-farm structures.

56. However, despite the extremely difficult situation, positive changes are now taking place in the region's agricultural sector.

57. In January-March of this year the rate of decline in livestock production decelerated, the productivity of cattle and poultry rose and the figures for reproduction and maintenance of animals improved.

58. All of this holds out hope for a degree of stabilization of the situation in the region's agricultural sector.

59. The regional administration's committee on the economy, together with the Central Research Institute for Innovation and Marketing in the Agro-industrial Sector has been drawing up an anti-crisis innovation and investment programme for the autonomous development of the sector in the Penza region (AIINS Programme).

60. The basic aim of the programme is to incorporate “economic growth points” into each administrative district and product sub-complex and thereby halt the decline in output; then, over a period of 7 to 10 years, the aim is to achieve a new (innovative) level of performance far exceeding the pre-reform level.

61. It is planned to achieve the goals of reviving economic growth in the agro-industrial sector and enhancing the economic effectiveness of all its branches in the following ways.

62. The transition from administrative to economic distribution of land will be completed, contractual relations will be established between the users and owners of land, and a single land tax will be instituted.

63. The most important objective is to improve the financial health and deal with the insolvency of agricultural enterprises. The debts of agricultural organizations and peasant (private) farms to the federal budget and extrabudgetary funds will be restructured.

64. In order to facilitate the emergence of a class of real proprietors and effective managers, support will be given to the establishment of full and limited partnerships.

65. The network of machinery and equipment stations will be developed on the basis of modern technical and technological systems to provide production services to agricultural producers.

66. In order to promote the reform of enterprises in the food and processing industry and make them more attractive for investors, an active policy of selling insolvent processing enterprises to domestic investors will be pursued and the State will authorize preferential treatment for transactions involving the securities of these enterprises.

67. The creation of a modern infrastructure for marketing agricultural produce will help to increase the earning power of goods producers in the agro-industrial sector.

68. Financial leasing activities will be further developed and improved.

69. The task ahead is to create a developed system of agricultural credit, including a network of rural credit cooperatives and a system of mortgage credit and commercial banks in the countryside.

70. A national strategy is to be implemented to supply the population with food products by reducing the share of imports and supporting domestic exporters.

71. Land and institutional reforms will help to increase agro-industrial production by the year 2001.

72. Growth will be secured through priority use of intensive resource-saving technologies and of high-yield crop varieties and hybrids, application of the achievements of domestic and world biological science, improvement of soil fertility and enhancement of the structure of livestock production through better animal breeding and more efficient cattle and poultry management.

73. The introduction of advanced technologies in agriculture will help to provide higher gross yields from smaller areas of cropland.

74. The production and technical base of the sector will be improved through the development of farm machinery leasing. Better provision will be made for the region's needs in respect of the main types of domestic agricultural produce, especially grain, vegetables, potatoes, sugar beet, sunflower and meat and dairy products.

75. The conditions for the economic revival of the agro-industrial sector include providing direct credits to its enterprises and agencies through the Central Bank or its local branches, eliminating any loss-making in enterprises, i.e. freezing accounts and debts, and rescheduling payments over 5-7 years, raising the purchase prices for agricultural produce or subsidizing agricultural production from the State budget, supporting agricultural goods producers at the regional and federal levels in the marketing and distribution of the goods produced, giving priority to domestic goods producers to step up the rates of production, minimizing the disparity of prices for industrial and agricultural goods and increasing the inflow of investment into the agro-industrial sector, particularly for the production and processing of agricultural products, with a view to obtaining highly competitive goods and ensuring a quick return on capital invested.

76. In order to produce, process and sell agricultural products at a decent level it is necessary to have the latest technology and a good system of management in the agro-industrial sector as well as at market outlets. One basic requirement to meet these conditions is a well-developed system for supplying reliable and up-to-date information and providing timely economic analysis of any particular situation in the agrarian sector.

77. The accomplishment of this important task facing the statistical authorities will also help to overcome the crisis and stabilize the rural economy.
The data provided are subject to change depending on the availability of information.
