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STRUCTURAL CHANGES IN THE FARM ECONOMY OF SARATOV OBLAST AND STATISTICAL MEANS OF MONITORING THE ACTIVITIES OF NEW FARMING ENTITIES

Prepared by Vladimir Georgievich Golovachev,
Chairman of the Saratove Oblast Statistics Committee, area chief.

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Structural changes in the farm economy of Saratov oblast and statistical means of monitoring the activities of new farming entities

Saratov oblast is one of Russia's largest industrial and farming regions. It covers a total of 100,200 square kilometres. It has 8,493,500 hectares of farmland, of which 5,902,100 are arable land. It has a population of 2,723,400, of whom 728,900 live in the countryside.

Agrarian reform in the oblast has touched on a number of aspects crucial to farming: land, organizational and legal, financial and credit-related, taxation and pricing issues; production and economic relations; management structure; marketing, and others. The reform has laid the foundations for a multifaceted farming economy and has resulted in partial changes in land use, imposing a number of structural changes relating to the position of farming in the economy of the oblast, the range of agricultural producers, and the industrial and commodity structure of the farm sector.

During the reform of farming in the oblast (1991- 1996), output was unfortunately allowed to fall. The year 1997 was a breakthrough, showing a significant increase in output of grain, industrial crops and cereals.

Some 27 per cent more land was sown to grain in 1997 than in 1996, yielding the largest grain harvest of recent years: 6,125,200 tons. The main grain producers in the oblast are farming enterprises.

The changing pattern of farm output by category of farm is illustrated by the figures below.

Using prices actually in effect; as percentage of output from all categories of farm

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997***
Farming enterprises	67.9	72.4	58.7	47.4	47.7	48.2	58.0
Privately-worked holdings	32.1	27.6	36.4	50.4	49.9	49.3	36.3
Peasant (individual) farms			4.9	2.2	2.4	2.5	5.7

* = preliminary data

The growth of the individual sector in farming in the early 1990s accelerated as prices were liberalized, food ran short, and land was redistributed and busily allocated to the owners of private plots, orchards and market gardens, and to peasant (individual) farms.

As a result of the reorganization of collective and state farms, 76 per cent of former farms were converted into partnerships, shareholding companies or production cooperatives. By early 1998 the oblast had 581 new farming enterprises in operation. In addition, 175 farms had maintained their collective farm or state farm status, sharing ownership of the land and other means of production. The oblast now has 8,834 peasant (individual) farms in operation, together working 843,600 hectares of land. Some 47,500 hectares of land have been made available to rural and urban dwellers for individual plots.

When the agrarian reform began, the process of establishing peasant farms went quite quickly. As early as 1992, some 8,174 farms were set up, by 1993 there were 3,251, and by 1994 there were 13,023. Since early 1992, a total of 2,857 peasant (individual) farms have gone out of business and the number of such farms in the oblast now stands at 8,834, averaging 95 hectares in size. Peasant farmers account for a total of 9.4 per cent of farmland and 11.8 per cent of arable land. Since 1984, however, there has been a decline in the number of peasant farms and an increase in their average size.

The explanation for this situation is that during the initial period of agrarian reform structural policy tended to be altered rather hastily.

The redistribution of land for the benefit of the general public is still under way. In 1997 some 29,600 hectares of farmland were set aside for collective fruit-growing (the land was awarded to 433,100 families), and 130,000 families were given 8,300 hectares of land to use as collective market gardens.

Individual holdings and collective fruit-growing and market-gardening ventures account for a growing proportion of overall output. Together they produced 26 per cent of gross farm output in 1991, but 42.0 per cent in 1997; in items such as potatoes, they produced 61 per cent of the crop in 1991 but 96 per cent in 1997, and in vegetables, 46 per cent and 82 per cent respectively. Between 34 per cent and 50 per cent of all livestock is concentrated on private holdings and peasant farms. Over the period, the proportion of cattle being raised privately increased from 22 per cent to 37 per cent, with cows rising from 29.6 per cent to 49.8 per cent, pigs from 10 per cent to 43 per cent, and sheep and goats from 16 per cent to 34 per cent.

In a society in crisis, providing the population (both urban and rural) with land has become a major factor in ensuring that the poorly paid have enough to eat. A link can be observed between individual holdings and major public ventures for the supply of fodder, equipment and social services.

In 1997(according to preliminary data), overall output (in comparable terms) on farms of all categories was up 25 per cent over 1996. Farming enterprises experienced significant growth in output (150 per cent). Accordingly, structural policy as market reforms continue has remained primarily concerned with collective farms of all descriptions, and then with peasant farms and private holdings.

Land ownership, occupation and use - in particular changes in form of ownership - lies at the heart of the structural changes in farming.

Most (95.7%) of farm output comes from private producers, 4.2 per cent comes from state-owned ventures, and 0.1 per cent from ventures with a mixed form of ownership.

Changes in the relative output of major types of farm produce by category of farm can be seen from the following figures.

Share of total output

(percentages)

		1991	1992	1993	1994	1995	1996	1997
	Grain and legumes							
Farming enterprises		99.7	96.9	91.7	90.3	92.7	92.9	87.6
Private holdings					0.0	0.0	0.0	0.1
Peasant (individual) farms		0.3	3.1	8.3	9.7	7.3	7.1	12.3
	Sunflowers							
Farming enterprises		99.4	95.3	93.2	86.3	90.3	89.8	88.9
Private holdings								
Peasant (individual) farms		0.6	4.7	6.8	13.7	9.7	10.2	11.1
	Potatoes							
Farming enterprises		18.6	13.7	5.0	3.8	3.2	3.1	3.7
Private holdings		81.3	85.9	94.9	96.0	96.7	96.7	95.8
Peasant (individual) farms		0.1	0.4	0.1	0.2	0.1	0.2	0.5
	Vegetables							
Farming enterprises		38.8	43.2	21.3	14.3	10.3	14.4	17.9
Private holdings		61.0	55.8	78.2	85.0	89.4	85.3	80.2
Peasant (individual) farms		0.2	1.0	0.5	0.7	0.3	0.3	1.9

Efforts to maintain soil fertility slackened while the reforms were going through. Chemical treatments of the soil and applications of fertilizer fell off sharply. By 1997 mineral fertilizer use was less than 8% of its 1991 level; organic fertilizer use was less than 16 %. Yet the application of only 10 kg of nitrogen and 20 kg of phosphate fertilizer when sowing spring wheat guarantees additional profits of up to 167 roubles per hectare.

It is planned to use intensive technologies to prepare around 100,000 hectares for crop-planting in 1998. As part of its efforts to introduce best practices, the oblast Ministry of Agriculture is working with foreign companies to attract investment in plant growing. Grain, sunflower, sugar beet and potato-growing complexes have been acquired, and 16 farms in the oblast have been selected to collaborate with Monsanto, Cargill and Pioneer.

The leading firms of Deutz, Far, Claas, Massey Ferguson, John Deere and KS have been contacted with a view to renewing farm equipment. Foreign equipment is relatively expensive but highly efficient and reliable; it makes most sense to use it at special-purpose machinery and equipment stations, where, calculations show, it can be used more efficiently and pays for itself in less time. Saratovservis, which has been reconstituted as a company, deals with the setting-up and equipping of such stations.

There has been a decline in cattle numbers and livestock-product output, especially at farming enterprises, in recent years. On private holdings the decline has been slower, and as a result the individual sector now accounts for an increasing share of total output. Individuals now tend over a third of the cattle, 47 per cent of the cows, 40.1 per cent of the pigs and a third of the sheep and goats.

Output of livestock products on peasant (individual) farms is holding fairly stable, but the poor returns on inputs and peasant farmers' limited financial opportunities are acting as a brake on growth. Such farms account for a relatively small proportion of cattle stocks and livestock-product output.

Production has been shifting to the individual sector as a result of economic conditions, losses in the industry and a number of social factors.

Output of the main livestock products is broken down in the table below.

Percentages

Proportion of total output

	1991	**1992**	**1993**	**1994**	**1995**	**1996**	**1997**
	Meat (cattle and poultry, carcass weight at slaughter)						
Farming enterprises	70.8	63.4	58.2	51.9	44.7	35.7	32.2
Private holdings	29.2	35.9	40.3	46.7	53.7	63.2	65.0
Peasant (individual) farms	0.0	0.7	1.5	1.4	1.6	1.1	2.8
	Milk						
Farming enterprises	67.5	61.7	57.7	52.3	46.2	37.7	41.1
Private holdings	32.5	37.7	40.3	45.5	50.9	59.8	56.2
Peasant (individual) farms		0.6	2.0	2.4	2.9	2.5	2.7
	Eggs						
Farming enterprises	62.6	59.0	54.1	47.9	38.2	36.3	42.5
Private holdings	37.4	40.9	44.9	50.8	59.6	62.1	56.3
Peasant (individual) farms		0.1	1.0	1.3	2.2	1.6	1.2

The preferential development of pig- and poultry-raising has been an important stabilizing factor in meat output, but poultry has accounted for a declining proportion of meat production in recent years. Pork remains at roughly the same share of overall meat output (30 per cent in 1991, 31 per cent in 1997; poultry has declined from 17 per cent to 8.9 per cent.

As market relations have spread in farming, the pattern of sales has altered. There has been a marked decline in the quantity of output going to processing organizations. These bought 33 per cent of the cattle and poultry, 68 per cent of the milk, 89 per cent of the eggs, 35 per cent of the grain, 14 per cent of the sunflower seed, 46 per cent of the sugar beet, 4 per cent of the potatoes, 21 per cent of the vegetables and 42 per cent of the fruit and berries in 1997. Sales of traditional livestock products - milk and eggs - to processing organizations predominate. The remaining produce was sold through other channels (on the markets, to the general public as wages in kind, through barter etc.).

Economic considerations such as profits at farming enterprises, lending, financing and taxation are having a substantial influence on market-formation in farm products in the oblast.

The financial position of the farming enterprises in the region is, nevertheless, still difficult. Losses in animal husbandry in particular have had a bearing on the adverse financial returns, while crop-raising is, overall, still profitable (12 per cent).

Changes in the oblast's economy have necessitated a completely fresh approach to local accounting.

Municipal authorities have been given greater autonomy in dealing with local social and economic problems.

The need for statistics has thus grown hugely. Municipal statistics now have to be compiled. Goskomstat has developed a unified system of indicators describing the socio-economic situation in municipalities. The Saratov Oblast Statistics Committee is getting ready to conclude agreements on the provision of information services with municipal leaders.

This is an important advance in the information structure and the quality of the information provided.

Structural changes in farming have also affected statistical observations of farm-produce producers' activities.

With such a large number of peasant (individual) farms, comprehensive account-keeping has become virtually impossible. Selective observations are being used, with extrapolation to the full range of farms. This method has both plusses and minuses for statistics. Selection (10 per cent of all peasant farms) does not always give an objective evaluation of output: significant undercounting is possible. The authorities and municipal administrations would like to have full accounts of farmers' operations monthly. But with almost 9,000 peasant farms, gathering full statistics locally within a short time-frame is virtually impossible.

There remains the not entirely satisfactory information garnered by monitoring individuals' private holdings of land. The data are fine for overall calculations covering a year. For keeping running accounts of output and cattle numbers, the existing method of quarterly returns is not very acceptable. A change in the method for calculating output on private holdings would be desirable, since with quarterly calculations of resource levels and output consumed the information available is inadequate for a monthly determination of gross domestic product.

There have been significant changes in the management structure of the region. A Saratov oblast government has been set up, and this now deals with all problems relating to food supplies for the general public. At the prompting of the Ministry of Trade, the oblast's Duma (seat of government) has passed a law on the consumer market in the oblast, a Consumer Market Code, an investment programme for the development of the consumer market, and a comprehensive programme for the development of the food industry in the oblast.

The Ministry of Trade is working hard at developing external trade ties. It concluded mutually advantageous agreements on the supply of goods and raw materials with 84 Russian regions in 1997.

In 1997, processing enterprises in the oblast bought 2 per cent more farm produce than in the previous year. They procured 21 different varieties of raw materials and produce. Besides trading and processing, cooperative consumer enterprises produced 62.5 billion roubles' worth of output, 6 per cent more than in the previous year.

For familiar reasons, consumer purchasing power in the oblast remains low. Given the tendency for the proportion of the population that is poorly off to grow, this is a matter of particular concern.

In view of the delay in the passage of the Federal Land Code, the Saratov Oblast Duma has passed a regional Land Act to ensure rational land use and conservation, the replenishment and improved fertility of the soil, a better defined and government-regulated system of land ownership and use, and the development of a variety of legal forms of land management.

Producers of farm products are receiving increasing support from the oblast's government.

During the reorganization of farm land in the oblast, title deeds were drawn up for 319,000 owners of plots of land; 4,300 chose not to become owners - an indication of their uncertainty about the changes now being carried out.

A mechanism for the implementation of land legislation has been drawn up. It is based on the Land Auction Centre set up by the oblast government, and the oblast Land Fund, acting as the only large landowner. Twenty thousand hectares of neglected and unworked land have already been transferred to the Fund. The Fund will buy from the banks land pledged as collateral and put it up for public auction. Two land auctions have already been held. Tests are under way on a mechanism for setting up credit partnerships - comprising small landowners and peasant farmers who own their plots - which will extend credit to small and medium-sized peasant farms. A key role in the operation of the market in land has been assigned to the land bank, and an entity called "Radograd" looks after transactions involving land. Foreign investors have also been assigned a role. Under the Saratov Land Act, foreign individuals and States may possess land only under leasehold, but the oblast may borrow from foreign banks using land as collateral, and use the money it obtains to develop the agro-industrial complex. A foreign body corporate will never become the owner: if the Russian side cannot honour its pledge, the loss will be made good from the proceeds of selling the land. A distinctive feature of the Act is that it rejects payment to the central Federal budget of part of the land tax - 30 per cent of the tax raised on farmland, 30 per cent of the tax on urban and village land - introduced by the Federal Payments for Land Act.

It is intended to keep this money in the oblast and use it for improved land management: maintaining the land register (cadastre), rural development, monitoring, improving soil fertility, social development and improvement of amenities. To hold individuals and bodies corporate more accountable for land use and conservation, the Saratov Oblast Land Act imposes administrative penalties on those in breach of it. Over the next few years, the Act will influence positive structural changes in the farming economy.

A change in investment and pricing policy and the formulation of long-term programmes for the revival of the livestock industry is seen as offering a solution to the problem of stabilizing and expanding livestock-raising. Tighter management control over the industry is of no small significance. All over the world, farm-product producers represent a strong demand for material resources and the services of processing industry, and receive government grants.

The difficulties of carrying out agrarian reform are also due in part to the fact that means of combining the interests of the State, society at large and private interests have not been sufficiently well thought through in the legal system and legislation. More efficient agriculture and increased deliveries of foodstuffs ought to ensue from the interaction of agrarian legislation and a policy of structural change in farming.

One of the main problems that farming in the oblast faces is the need to change the pricing system for farm produce, incorporating target, guaranteed and pledged prices.

We believe that this description of the oblast and our suggestions will enable the reader to draw the correct conclusions regarding improvements in the farming economy.