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USE OF AGRICULTURAL STATISTICS AND SAMPLE SURVEYS IN ANALYSING THE ECONOMIC SITUATION OF INDIVIDUAL FARMERS IN THE RUSSIAN FEDERATION

Submitted by the Government of the Russian Federation Centre on the Prevailing Economic Situation[1]

Summary: The paper draws on full statistical accounts and regular sample surveys of the activities of peasant (individual) farmers conducted by the Russian State Committee on Statistics (Goskomstat), the Centre on the Prevailing Economic Situation and the Federal Agency for Government Communications and Information (FAPSI). Use has also been made of information from the Russian Ministry of Agriculture, the Association of Russian Peasant (Individual) Farmers and Agricultural Cooperatives (AKKOR) and elsewhere. The economic and statistical analysis focuses on market trends and the course of future development in individual farming in a mixed economy.

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1. Individual Russian farmers produced nearly 4.0% of total agricultural output at then-current prices in 2002 (for comparison, they produced 2.5% in 1999) on 8% of all the arable land available to agricultural producers. Their contribution to the production of individual types of produce in 2002 was: 13.4% of total grain output (1999: 7.1%), 16.7% of the sunflower seeds (12.6%), 6.3% of the sugar beet (5.4%), 2.5% of the vegetables (2.1%), 2% of the livestock and poultry for slaughter by live weight (1.8%), 1.8% of the milk (1.6%) and so forth, with significant variations depending on the region and type of product.

The socio-economic role of individual farming

2. Statistics show that most efficiency indicators for agricultural activity on peasant (individual) farms are lower than the corresponding figures for collective enterprises. At present, however, all forms of business activity in the countryside are taking place against a background of economic crisis, disparate prices for equipment, facilities and farm produce, underdeveloped market infrastructure, low purchasing power among the general public, high food imports and rising economic crime, making it difficult for the advantages of any particular kind of enterprise to show.

3. Given individual farmers’ inclination to understate their farms’ output in the accounts for a variety of reasons (concealing actual income because of contradictions in the taxation system, a lack of familiarity with the law, poorly handled basic stocktaking and bookkeeping and so forth), there are grounds for believing that in actual fact, their contribution to total farm output is appreciably higher.

4. According to figures from the Association of Russian Peasant (Individual) Farmers and Agricultural Cooperatives (AKKOR), the low share of output attributable to the individual farm sector is also due to the fact that the results for a large number of large individual farmholdings are listed under the heading of collective farm enterprises since, with the passage of the new Russian Civil Code, the regional tax authorities have in recent years been requiring individual farmers to register as limited liability companies or agricultural cooperatives so that they can retain their rights as juridical persons.

5. Thus it must be said that individual producers’ share in overall farm output is actually higher than shown in the official statistics and currently stands, according to our estimates, at around 7-8%, and 10-15% or even more in some regions.

6. For comparison, in the years under discussion, household plots (including individual allotments and kitchen gardens, collective and individual fruit orchards, market gardens, livestock and so forth) accounted for almost 6% of the farmland available to farms in all categories, but 53.8% of total farm output at then current prices in 2002; the corresponding figures for 1999 are 5.8% and 56.3%.

7. Since in recent years the situation of the major agricultural enterprises (organizations) has gradually began to stabilize and the potential for growth in household plots is by now virtually exhausted, the relative share of household plots in overall agricultural output has begun to

dwindle (by 2.5 percentage points between 1999 and 2002), while that of collective ventures and peasant (individual) farms has grown (by 1.0 and 1.5 percentage points respectively of the same period): see table 1.

Table 1

Farm output by category of farm (percentage of total at current prices)

	1995	1997	1999	2001	2002*
Farms in all categories	100.0	100.0	100.0	100.0	100.0
Of which:					
Agricultural enterprises	50.2	46.5	41.2	43.9	42.2
Household plots	47.9	51.1	56.3	52.4	53.8
Peasant (individual) farms	1.9	2.4	2.5	3.7	4.0

* Preliminary Goskomstat data.

8. Despite the difficult financial and economic situation in the agrarian sector, insufficient State support and poor legal and social provision for individual farmers, peasant (individual) farms are gradually increasing their productive potential within the mixed agribusiness economic system.

9. Peasant (individual) farms are not, however, merely productive ventures; rather, they serve as a nucleus for social life in the countryside, helping to reproduce the demographic potential of rural society, increase employment among the rural population and preserve the rural way of life. Over the course of its development, the private and family-based individual-farmer model has established a new stereotype for business in the countryside, a distinctive socio-economic way of doing things, providing a large number of Russians with a practical opportunity to realize their entrepreneurial potential. A new class of free peasant owners has made its appearance in Russia.

10. This distinctive aspect of peasant (individual) farming is recognized in the laws of developed countries, giving peasants grounds for looking to the State for stable budgetary support.

11. All types of State support provided out of federal and regional budgets for agricultural producers cover peasant (individual) farms as one form of small-scale rural business. Regional figures show State support to farmers in 2001 as amounting to 1.36 billion roubles, of which 580 million (42.6%) came from the federal budget. This represents an average of 5,200 roubles per farm, which is clearly inadequate. Although financial support for individual farmers has increased in recent years (by 63% since 2002, by 270% since 1999), it is, overall, still small, insufficiently effective and inadequate to allow individual farmers access to the country’s production, marketing and banking infrastructure.

12. A new version of the Peasant (Individual) Farm Act, the passage of which needs to be speeded up, is expected to ensure genuine equality between individual farmers and other agricultural producers. It needs to set out in some detail the rights of individual farmers as parties in civil relations, as producers of agricultural products and as small-scale businessmen.

Market trends in the development of the individual farmer model

13. Chief among the distinguishing features of the individual farmer model in Russia, in our view, are the fact that farmers are members of the small rural entrepreneurial class; that, in socio-economic terms, they are highly motivated to work on the land; that they are fully economically and legally accountable for the outcome of their activities; that they are not dependent on others for supplies of productive resources; and that they make limited use of hired labour. All in all, individual farming has found a socio-economic niche in the mixed domain of agrarian production while the general policy has been to offer support preferentially to large-scale agricultural ventures. It could scarcely be said, however, that the conditions for effective development of individual farming are now in place.

14. It must not be forgotten that a large number of peasant (individual) farms went into decline at the very outset of the individual farming movement; as in later years, there were many reasons for this, among them being the fact that a significant proportion of individual farmers were ill-prepared to go it alone, that they encountered difficulties in obtaining land, that banks charged high interest on loans, that local authorities were not favourably disposed towards individual farmers, that the laws and regulations governing the growth of individual farming were weak, and that the risks were high.

15. Over the course of 2000 and 2001 the number of peasant (individual) farms gradually began to rise once more, as it had in the early 1990s, especially in the southern and central federal districts, to exceed the level of two years previously by 4,400 units (1.7%).

16. One characteristic of the individual farmer movement has been that the total area of individually farmed land in Russia has grown every year although at certain periods the number of farms has declined. This is a sign that land and capital are becoming concentrated and that individual Russian farmers are gradually adapting to a mixed market economy.

17. The rules of the market and competition have now initiated a process of socio-economic stratification among peasant (individual) farms, leading to wide differences in amounts of land worked and yields.

18. Data grouping individual farms by the amount of land allocated to them reveal that the individual farm sector comprises fairly small entities on the whole. At the beginning of 2003, some 17.1% of all individual farms had three hectares of land or less, 23.2% had between 4 and 10 hectares, 33.6% had between 11 and 50 hectares, etc. In terms of output and tradability of their produce, such farms are in essence little different from most private allotments and operate chiefly for home consumption.

19. Almost 71% of individual farmland belongs to only 13% of individual farms; 74% of individual farms own only 16% of it. Moreover, 6.2% of farms have over 200 hectares of land (the average per farm in this group is 593.5 hectares) and together account for over half (55.1%) the total land area: see table 2. The number of large individual farms has been growing steadily in recent years, and between 1996 and 2003 the proportion of farms holding between 101 and 200 hectares of land increased by 120%, while that of farms with over 200 hectares increased by 250%. The average dimensions of peasant (individual) farms have been growing constantly, from 43 hectares of land in total, including 40 hectares of farmland, in 1995 to almost 67 hectares and 63 hectares respectively by the beginning of 2003. At the same time, the differentiation between farms according to the amount of land they hold has been growing markedly.

Table 2

Peasant (individual) farms grouped by amount of land worked

	Number of farms on 1 January (thousands)		Proportion: Of all farms, %		Proportion: Of farmland, %		Average size (hectares)	
	2000	2003	2000	2003	2000	2003	2000	2003
No land allocated	1.7	2.8	0.6	1.1	-	-	-	-
Farms with land:								
Up to 10 hectares	99.1	106.5	38.0	40.3	3.5	2.8	5.1	4.7
11-50 hectares	97.6	88.8	37.4	33.6	18.7	13.3	27.6	26.4
51-100 hectares	32.6	30.9	12.5	11.7	17.0	13.0	74.8	74.2
101-200 hectares	18.5	18.6	7.1	7.1	19.2	15.8	149.5	149.9
Over 200 hectares	11.6	16.4	4.4	6.2	41.6	55.1	515.9	593.5
Total	261.1	264.0	100	100	100	100	55.1	66.9

20. Large, commercially oriented individual farms, which at present make up a comparatively small proportion of the total (up to 10-15% in some regions), now account for the bulk of the individual farm produce traded. A number of entities registered as individual farms work 500 hectares to 1,500 hectares and more of land, including significant areas on long-term lease, have extensive facilities and equipment, employ significant numbers of permanent and seasonal contractual workers, grow grain, sunflowers, vegetables, etc., have herds of 100 and more cattle, pigs or sheep and operate as businesses throughout the year. These are in effect commercial farms on the individual model, leasing land and hiring labour. They prefer to go in for mixed farming as a more flexible and economically sustainable option, given the instability of the market for individual farm produce.

21. The concentration of land and capital, including shares in land and property, primarily in the hands of large-scale farmers (former heads of collective agricultural ventures but also managers of commercial banks, oil and gas companies, industrial manufacturing ventures and so

forth) has accelerated recently, especially since the passage of the federal Land for Agriculture (Turnover) Act. The owners of largish tracts of land are in effect gradually becoming veritable masters in the countryside; this was confirmed by nearly 50% of the producers of agricultural products surveyed in 2002.

22. At the same time, the smallest peasant farms - those run for home consumption, and incapable of setting up in produce trading on any great scale by themselves - are being ruined. A sample survey of peasant farms conducted by Goskomstat in 2000 indicates that there is a large number of such farms. Of 80,000 peasant (individual) farms growing grain, 25,000 (31.2%) sold none; of the 66,300 farms raising livestock, 33,300 - more than half - sold no cattle or poultry for slaughter.

Integration of individual farmers into agribusiness in a mixed economy

23. Almost three-quarters of the individual farmers surveyed regard the shortage of monetary resources for small-scale agribusiness and the inefficient ways in which budget support and credits are provided as the most important factors hampering the growth of the sector. As there is no quota system that applies to State support for various categories of agricultural producers, including individual farmers, most of the resources made available go to large-scale collective ventures and middlemen. It would thus make sense to reflect State support for different categories of agricultural producers, with a set quota for individual farmers, as a separate entry in republic-, territory- and oblast-level budgets.

24. With considerable effort, AKKOR has managed to secure a quota for individual farmers in the budget allocation to subsidize interest payments by agricultural producers on loans from commercial banks. The individual farm sector managed to make full use of this quota for the first time in 2002. The quota for subsidies was comparatively widely taken up, however, in only 30 regions. Only 1,200 peasant (individual) farms took out loans, and all in all individual farmers received around 1 billion roubles in preferential credit. There were significant variations under this heading in different regions. Individual farmers' associations in Altai territory and Voronezh oblast took up over 300% of the scheduled quota, while in the Karelian and Komi republics, Lipetsk and Ryazan oblasts individual farmers were unable to set up a single preferential loan.

25. It was pointed out at the 14th AKKOR Congress (February 2003) that subsidizing interest payments on loans does not entirely solve the problem of credit for peasant (individual) farms. This kind of State support has, for many individual farmers, proved hard to come by since there remains the problem of ensuring that loans can be repaid (owing to difficulties with sureties, guarantees and pledging land) and the loan approval procedure is still fairly complicated. Further improvements are needed to the mechanism for granting credit to peasant (individual) farms.

26. Encouraging the development of rural cooperative credit is a promising way of providing financial support for small and medium-sized agribusiness entities including individual farms. According to the Union of Rural Credit Cooperatives, 230 credit cooperatives were in operation in 2002 in 42 different regions of the country (73 were in operation in 1999) and their shareholders together numbered over 16,000 (as against just 7,000 three years previously).

Small agribusiness operators (chiefly individual farmers) obtained 300 million roubles in loans in 2001 through the rural cooperative credit system, and about 500 million roubles in 2002. State support for credit cooperatives tripled over the period.

27. A general feature of rural credit cooperatives is that founders - a role generally played by farms - predominate among their memberships. Eighty per cent and more of their members are agricultural producers, but as cooperatives expand their activities, businesses in other sectors (manufacturing, trading, services) operating within their areas are also joining.

28. It can be seen from the experience of cooperatives established in Volgograd, Rostov, Saratov, Orenburg, Chelyabinsk, Tomsk and Yaroslavl oblasts, the Republic of Sakha (Yakutia) and other regions that they are an efficient means of tackling the problems of offering credit to small agribusiness entities, small and medium-sized individual farms especially, but also family farmsteads. There is thus good reason to hasten the adoption of the federal Credit Cooperatives Act as a means for small agribusiness entities to afford each other assistance and for the State to provide them with support. There is also a need at the federal level to decide to set up a guarantee and surety system for small businesses by, for instance, setting up guarantee funds out of regional budget resources to support small business ventures.

29. Under current economic conditions an economic stratum of individual farmers can be successfully created and developed only if peasant (individual) farms cooperate and integrate not just with each other but also with a variety of agricultural, procurement, processing, service and other enterprises and organizations. Some 19% of individual farmers polled in 2001 by the Centre on the Prevailing Economic Situation and FAPSI mentioned the spread of farmers' produce-growing, processing and marketing cooperatives; 12% mentioned the establishment of rural credit and insurance cooperatives; 10%, the creation of agricultural production servicing cooperatives, and 11%, the alliance of small farms with those that were economically powerful.

30. Cooperation and concentration of individual farm production is proceeding apace in Stavropol territory. Five peasant (individual) farms in Budennovsk district have set up the "Fermer Prikumya" farmers' cooperative; 18 farmers in Kursk district have formed a cooperative under the name "Novator"; 28% of all the land allocations to individual farmers in Izobilny district have been concentrated into 17 production cooperatives and so forth. This cooperation is now expected to extend into the use of high-yielding grain varieties and a new strain of sunflower, the establishment of rural credit, marketing and service cooperatives and the development of market infrastructure. The application of cooperative principles allows production to be undertaken on a large scale, taking advantage of scientific and technological developments with all the attendant benefits while, on the other hand, not adversely affecting individual cooperative members' personal stake in and responsibility for production, handling and consumption.

31. There are at present 37 peasant cooperatives in operation in Volgograd oblast, sharing farm equipment and facilities and collaborating with collective farms over the use of premises, the provision of seed, fuel, lubricants, equipment repair and so forth. The individual farmers recently helped out the collective farms with the grain harvest.

32. Farmers' processing cooperatives are spreading in areas where large quantities of such products as sunflowers, sugar beet and vegetables are grown and there are no large local processing ventures. This means that produce can be thoroughly processed or refined, allowing

savings on storage and marketing and, crucially, allowing more attention to be devoted to growing and marketing the basic product, making the production process more efficient and increasing rural employment.

33. Patterns of cooperation among peasant (individual) farms not based on formal sets of rules and without legal personality have been developing recently alongside businesses of various legal types that do have corporate status. They tend to involve two or three farms linked by family or partnership ties, and have proved highly efficient. They have become established in the Central Chernozem (Black Earth) region and other economic zones.

34. The alliance of peasant (individual) farms, family farmsteads, collective agricultural organizations (joint-stock companies and partnerships) and processing ventures in cooperative arrangements of various kinds could create a real springboard for rural recovery since it provides an opportunity to compete for the market in farm produce and food, resist the monopoly instincts of the State procurement and trading organizations and middlemen, raise incomes to pay for better production facilities, and tackle social problems in rural areas.

35. Besides the governmental support discussed above, the individual farmers we surveyed in 2002 mentioned as priorities for action the following: offering increased financial support and compensation for purchases of fuel and lubricants, spare parts, high-grade seed, pedigree livestock (75% of those surveyed); improving the economic mechanisms for leasing equipment and facilities (60%), concessionary terms for gas and electricity (54%), applying a single land tax to all producers of goods (49%). Respondents pointed out that it would be sensible to give State support as a priority to the most efficient peasant (individual) farms, those which have already adjusted to market conditions. More than 43% of those surveyed felt that, as one form of support, State entities should participate in the renovation of equipment and facilities on individual farms, the introduction of new technology, and the establishment of production and marketing infrastructure.

36. Such action will facilitate the development of peasant (individual) farming as an independent activity in the mixed economy on a par with others in the countryside.

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