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SOME PROBLEMS OF THE STATE REGULATION IN THE AGRICULTURAL SECTOR

Abstract. Some problems of the governmental regulations in the agricultural sector are discussed. Basing on experience of the developed countries some directions of increasing the efficiency of coordination of the market mechanism in the agro-industrial complex and state support of this complex a suggested.

Key words: Byelorussia, state regulation, agricultural complex

Nowadays agriculture is one the most controlled and supported by the state sectors of economy in the Republic of Belarus. In these circumstances inevitably arise questions concerning the necessity of such regulation of the national agro-industrial complex and the role of the state in it.

The states with developed market economy have a great experience in the sphere of the state influence upon the agriculture. There are essential differences in approach of these countries to the state regulation. Its forms in particular years depends on the conditions of the conduct of agriculture and also on the level of concentration of production and supply and demand for the consumers' nutrition products.

Although there are some differences in using concrete measures, all developed countries pursue the following ends:

- to support stable economic situation in agriculture, stability of the market and a definite level of the profitableness in this sphere;
- to prevent undesirable process of migration;
- to provide food safety;
- to limit surplus production;
- to help the population in adaptation to new conditions;
- to protect national market;
- to guarantee the competitive participation of the national producers in the international division of labour.

During transition to the market economy in the Republic of Byelorussia it is necessary to learn of the main tendencies and take advantage of the measures of state regulation and the control system of nutrition in the economy of developed countries.

The system of the state regulation should include two parts: the state coordination of market mechanism in the agro-industrial complex and the state support of agriculture.

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The coordination of market mechanism in the agro-industrial complex by means of the development the infrastructure of the market includes the following methods:

- development of production infrastructure in agriculture;
- perfecting of the marketing system, the information system, the consulting system.

All states stimulate the development of production and non production infrastructure, the transportation network and the system of electricity supply for agro-industrial production and also warehouses and storehouses.

Forming of a consulting system for the subjects in the agro-industrial sector is an effective method of development the market infrastructure. The most interesting for learning and practical using is the Danish experience. There is a professional consulting service dealing with agricultural and economic questions in this country. The owners of this service are the farmers.

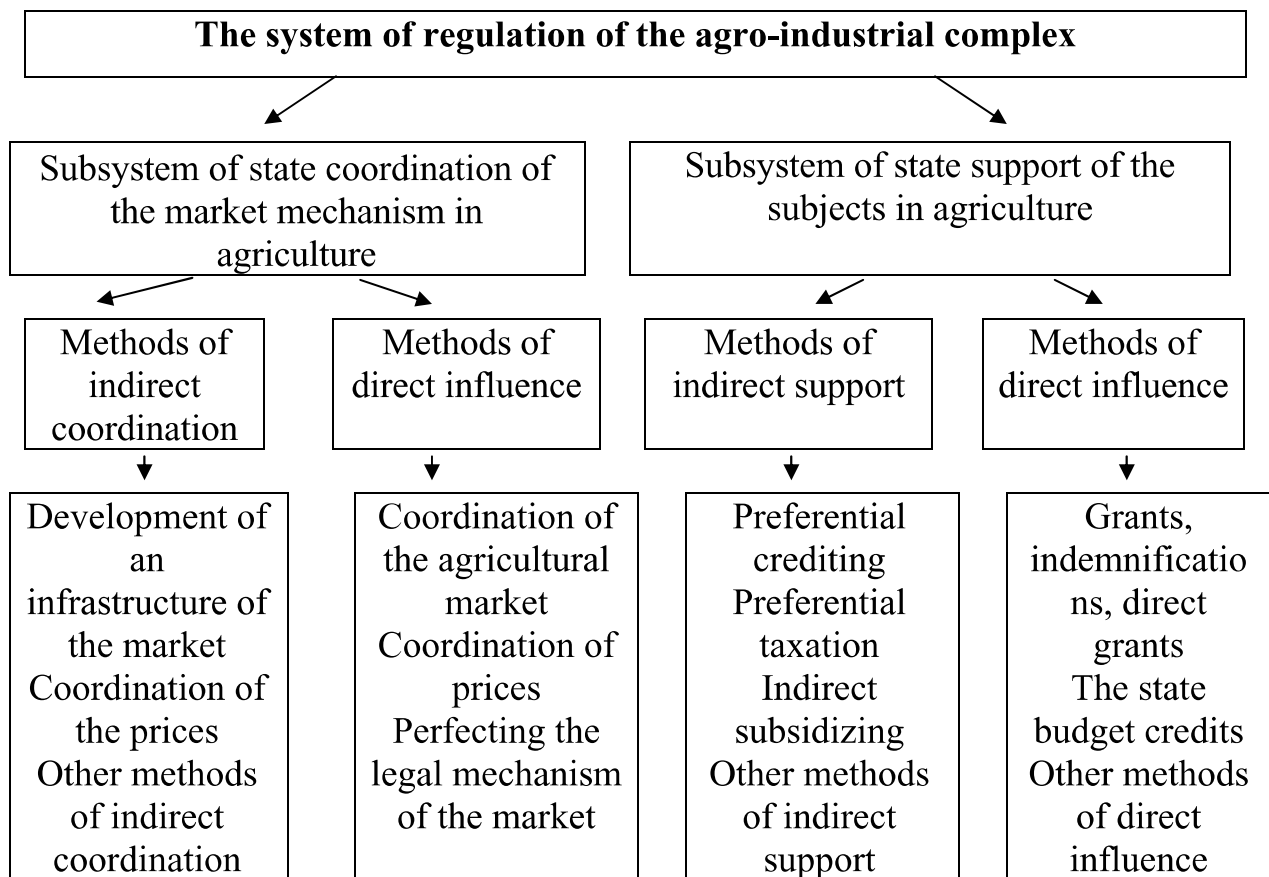


Figure 1. State programme of revival and development of villages in years 2005-2010 and the annual financing of priority directions of agricultural development as stipulated by manufacturers.

The price coordination in the agricultural production can be realized through a direct price establishment or through an indirect influence. The main methods of the price

coordination are the following: establishment of fixed, guaranteed, special, mortgaged and other kinds of prices.

Efficient price policy for the agricultural products is an important instrument of regulation of the agro-industrial complex. In the price policy it is necessary to follow the best world experience. It appears that even highly developed countries control the major part of the prices for nutrition. In Canada 78% of the agricultural products is under state price control. A system of guaranteed purchase prices for some products is operating there.

The methods of coordination of the agricultural market are the following: interventionist purchases of goods, pawning operations, establishment of quotas and regulations of the customs duty.

In some countries of the EU, in Canada, in USA and in other countries the establishment of quotas on production of some goods allows for avoiding overproduction.

However, using such mechanism as the interventionist purchases in a country with the economy in transition is rather difficult because of the insufficient security of the population with some products and the low level of income.

The experience of various countries shows that using of a customs – duty systems influences positively the development of a national market both in the developing countries and in the countries with the economy in transition, but only if their application is economically substantiated. So, in the EU the import customs – duty help to level up the prices of the imported and domestic products. It ensures the competitiveness of the European products. The mechanism of the customs – duty has a certain protective effect against the imports only if it is reasonably used.

The most important instrument of the state influence on the agro-industrial complex is the creation and development of a legal mechanism regulating its subjects' activities.

So, it is necessary to study the legislative deeds of the developed countries concerning agriculture with the purpose of improving the national law mechanism.

The most important level of regulation of the agro economy is the favourable crediting with the purpose of ensuring the optimal conditions for the subjects which have not enough own or loan capital.

The system of taxation plays a great role in the regulation of the state support of producers.

Among the countries of the East and Central Europe Hungary has the most flexible and effective taxation policy. The main criterion for taxation is profit and in order to achieve profitability various countries use such methods of support as direct and indirect subsidizing.

The direct state subsidies support the level of income of the producer. This principle is the base of the common agricultural policy of the EU.

Some years ago subsidizing was only a measure for stimulating production and was used because of the necessity of this production.

At present time many countries use the indirect measures with the purpose of subsidizing the farmers like the import regulation etc.

The system of the agro-industrial complex does not include only these elements. In foreign countries there are some other methods of influencing the agro-industrial complex, which need more detailed learning and analysis of their effectiveness.

The market relations are rather not developed in the Republic of Belarus and that is why the state coordination of the market mechanism in the agro-industrial complex works not so well as the state support of the subjects in this complex. But it has some deficiency.

It is necessary to realize the following features in the development of the agro-industrial complex in order to raise the effectiveness of the state coordination of market mechanism:

- creation of the two-level consulting system for the subjects of the agro industrial complex;
- mastering the instrument of the purchase price intervention because it should aim at a system of the state purchase of the main socially significant products at a minimal purchase price;
- using not only purchase but also food prices intervention with the purpose of the ensuring stable situation in the agricultural market.

There are also some problems in functioning of the subsystem of the state support of subjects in the agro-industrial complex which should be eliminated in the future.

The budgetary support of the agro-industrial complex is realized by means of the republican and local budgets, the republican fund of the support for the producers of the agricultural and food products, the local special – purpose funds of the stabilization. In the last years such kind of financing comes up to 10 - 12% of the expenses of the consolidated budget or 3 – 4% of the gross national product. It is rather an essential loading on the budget.

The ‘State programme of the revival and development of the village for years 2005-2010’ is where means are provided for the annual financing of the priority directions in the agricultural production development (figure 2).

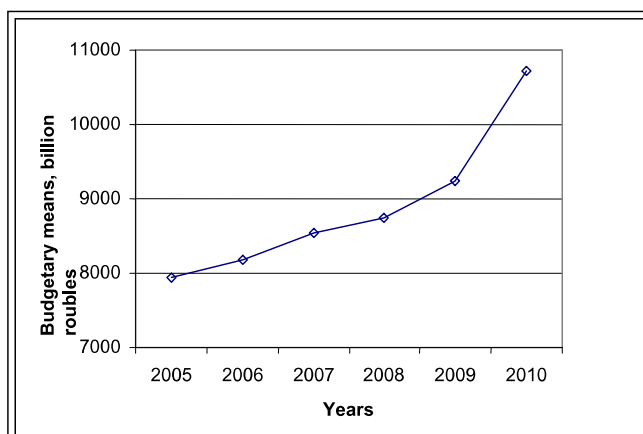


Figure 2. Means direct to the development of the agro-industrial complex in years 2005-2010

Nowadays about 120\$ USD are allocated for 1 hectare. But the present system of the state support of agriculture is rather not effective and does not stimulate the keeping of the profitable production. In practice there is a compensative – expended method in the distribution of the means.

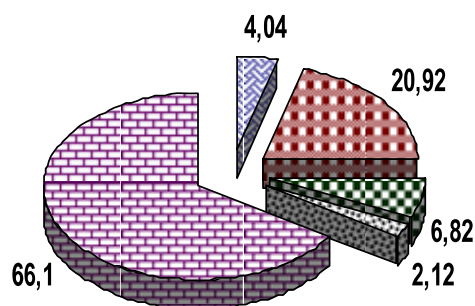
Sometimes the farms that use the resources ineffectively get a large subsidy. It does not contribute to increase production and decrease expenses.

Financing producers without taking into account the conditions of management inevitably dissipates budget means and reduces their efficiency. At the same time a concentration of the means of state support for the benefit of economically strong agricultural organizations contradicts a task of the restoration of profitability for the producers.

Besides it is necessary to take into account the future membership of Belarus in the World Trade Organization. A condition of entry into this organization in the agricultural sphere is the resignation of budget assignments for subsidizing the exports and putting restrictions on the level of state support for agriculture.

That is why the rational use of the budget assignments directed to agriculture is very topical today. The increase of feedback from them causes the necessity of developing of an effective mechanism of the state support of the branch. The realization should be carried out on a legislative basis and the support be distributed to the ailing agricultural organizations having the right to take the receipts.

In the budget financing the largest part is distributed by means of a republican fund of support of the manufacturers of agricultural products and foodstuffs and agricultural enterprises. This fund is annually distributed to particular areas and between the agricultural organizations of the republic.








-  subsidies
-  payment of the instalment on the loan granted by the Central Bank of the Republic of Belarus and securities
-  current transfers
-  investments in fixed capital
-  investments in transfers

Figure 3. The use of the resources of the republican fund of support for the producers of agricultural products, foodstuffs and agricultural science in 2006

Figure 3 shows that more than 60 % of the allocated means is subsidy. Now means are allocated to regions and agricultural organizations having in view volumes of production and the sales. At the same time in the countries of EU in 2005 a decision that the grants should be distributed by other principle, than earlier, was accepted. In particular the size of the selected grants should directly depend not on the quantitative factors but on the quality of the products. If a farms breaks the ecological standards, care for animal well-being, standards of quality in production of foodstuffs or the legislation on protection of work, the grants will be reduced to 25 %. So the basic condition of receiving the agricultural grants in the EU is the observance of the high standards and ecological sustainability of production.

Thereby under the present circumstances the most actual for the Republic of Byelorussia is the problem of an efficient use of the selected budgetary funds in the agricultural sector. The enterprises need scientifically grounded methods which should approach the following principles:

- the order of distribution of the state help must be efficient, comprehensible and predictable;
- the amounts of the subventions reasonably planned in time and spatial stages for areas and regions, and then for agriculture organization;

- the simultaneous account of the differences between the regions and agricultural organization both with regard to the main factors of production and its results should be realized;
- the main criterion for the distribution of means is the efficiency of their use in regions and agricultural organizations;
- the subjects should have the right to use granted to them amounts of state support at their own discretion: on the technical rearmament, renewing the revolving fund (acquisition of the mineral fertilizers and plant protection chemicals, combustible and/or lubricating material) and others;
- the agricultural producers work on the principle of the self-financing, and concrete measures of support are additional in ensuring the normal economic conditions of the management;
- within the framework of the agricultural economy the conditions for receiving of the state support for peasant farms and collective agricultural organizations should be equal;
- Algorithm of the distribution methods must meet the requirements of economic and mathematical modelling that conditionally on the provision of the corresponding software would allow to automate the payments and sharing the financial facilities.

Such methods should take into account the efficiency of the use of production potential of each region and agricultural organization, promote reduction of differences between enterprises and between territories and contribute to levelling up the economic development.

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