

LEASECON 2021  
Conference on Land Economy and Rural Studies Essentials

**STATE SUPPORT OF AGRICULTURE: ADOPTION OF  
EXPANDED INNOVATIVE REPRODUCTION**

Margarita V. Kuznetsova (a)\*, Ekaterina G. Zinovyeva (b), Natalia N. Kostina (c)  
\*Corresponding author

(a) Nosov Magnitogorsk State Technical University, 38, Lenina st., Magnitogorsk, Russia, wj27@mail.ru,  
(b) Nosov Magnitogorsk State Technical University, 38, Lenina st., Magnitogorsk, Russia, Ekaterina\_7707@mail.ru,  
(c) Nosov Magnitogorsk State Technical University, 38, Lenina str., Magnitogorsk, Russia, nataliykostina@bk.ru

**Abstract**

In modern market conditions, activities in the field of agricultural production are most vulnerable to the negative consequences of various destabilizing factors. This phenomenon occurs due to the fact that agricultural production is seasonal and depends on climatic conditions, which leads to serious losses of agricultural producers. In addition, these factors are the reason for the lack of motivation for entrepreneurial activity in this area. It is government support that stimulates the creation of agricultural enterprises, and maintains existing enterprises in an optimal condition by reimbursing part of the costs and providing various benefits. Acceleration of the pace of science and technology development in recent decades requires a change in approaches to the development and implementation of state innovation policy. In developed countries, more than 80% of economic growth is provided by innovative development of economic sectors. The progressive development of agricultural production is also conditioned by the implementation of scientific and technological achievements through their approbation and development in production. Agriculture is capable of providing expanded reproduction on an innovative basis only in case of assistance provided by the state. This assistance should be provided not only from the Ministry of Agriculture but also by interdepartmental coordination and subsidies. This is due to the fact that a total change of technology in agriculture requires significant financial investments from the agricultural producer to solve problems in terms of infrastructure, communications, engineering and logistics issues.

2357-1330 © 2022 Published by European Publisher.

*Keywords:* Agriculture, agricultural producers, agro-industrial complex, government support



## **1. Introduction**

The well-being of citizens, standard of living, health of the population, volume and structure of goods and services consumption, and social living conditions largely depend on the efficiency of agriculture functioning. In modern conditions agriculture is vulnerable to various environmental factors (unfavorable climatic and natural factors). In this regard, the provision of state support to the agroindustrial complex is a prerequisite for ensuring the successful development of this sector.

Agriculture, like other sectors of the economy, is experiencing the need to actively introduce new production technologies in order to accelerate innovative processes. Innovative processes are implemented through the scientifically grounded achievements of science, engineering and technology. At the same time, unlike economic entities in many other industries the agricultural producers are able to carry out simple reproduction. Agricultural entrepreneurs cannot acquire new technologies, solve engineering, infrastructure, logistics and social problems on their own without government assistance. To provide agricultural producers with the opportunity to move to expanded reproduction through the introduction of innovations, comprehensive and interdepartmental government support is needed.

Expanded reproduction of agriculture on an innovative basis represents an excess of productivity in the agroindustry compared to the industry average for the region and the achievement of a level of more than 130% of the cost recovery including subsidies. At the same time, the technology used must comply with modern achievements of science and technology in the agricultural sector, as well as guarantee the high quality of agricultural products.

State support for the transition to expanded reproduction on an innovative basis in agriculture is understood as the implementation of a set of economic, legislative and organizational measures to create innovative production based on a new technological order and to solve engineering, infrastructure, logistics and social problems on the basis of interdepartmental coordination and subsidies (Petukhova et al., 2015, 2016, 2018).

The article analyzes the main provisions on state support for agriculture in the Russian Federation while adopting expanded reproduction based on innovation.

## **2. Problem Statement**

Development of optimal mechanisms of state support for agricultural producers.

## **3. Research Questions**

The subject of the research is state support of agriculture in the Russian Federation.

## **4. Purpose of the Study**

The purpose of the work is to identify measures to improve agriculture support in the Russian Federation.

## 5. Research Methods

The theoretical and methodological basis of the study is represented by the works of classics as well as modern foreign and domestic scientists in economics on the problems of state support for agriculture; regulatory documents of federal and regional authorities on the development of state support for agriculture.

The research of many domestic and foreign scientists is devoted to the issues of state support and regulation of innovative economies. Special mention should be made of works by Sagaydak (2016), Gerasimov et al. (2020) and others.

The works of the above authors served as the basis for subsequent developments in the field of incentives based on state support for the development of agriculture through innovative reproduction.

In the study, the following methods were used: abstract-logical, system analysis, structural-logical.

The information and empirical base of the study was the legislative and regulatory legal acts of the state executive bodies of the Russian Federation, the Ministry of Agriculture of the Russian Federation, federal and regional governing bodies of the agroindustrial complex.

## 6. Findings

State regulation of agriculture is primarily in its support. The state support provided to agricultural producers is a combination of various forms, methods and mechanisms of influencing the agricultural economy to achieve the planned goals and objectives.

Domestic state support within the framework of stimulating the development of agricultural production should aim to strengthen import substitution, increase the efficiency of the agricultural sector, maintain sustainable production growth, and achieve food security in the country.

Government support for agriculture solves two types of problems. The first type of problem is caused by imperfect market mechanisms. The second type is the problems caused by the low efficiency of the system of state regulation of formation, distribution, redistribution and consumption of the final product of the agroindustrial complex regarding the interests of agricultural producers. The level of efficiency of government support significantly affects the performance of the analyzed industry.

State support in its structure includes several interrelated elements: subject, goals, tasks, principles, methods, directions.

The subjects of state support for agriculture are the authorities at the federal, regional and municipal levels. The agricultural support program is adopted in the form of state and regional target programs, which are adopted by the authorities in the form of Federal laws and regulations.

The main strategic goal of state support is to ensure food security of the state and the population of the country with high-quality food products in volumes and assortments that support a normal lifestyle, as well as ensuring sustainable development of agricultural production in market conditions.

Objectives of state support for agriculture are as follows:

- to improve the quality of life of the country's population. To achieve this goal, the food component plays a fundamental role. The food component is manifested both physically and economically in the form of food availability and quality, health of citizens;

- to provide food security as a component of the general economic and national security of the state (Miloserdova, 2017, p. 8). Food security implies the degree to which food is available for the population of a country in order to ensure an optimal standard of living. The threat lies in the fact that with an initially low level of self-sufficiency in food in the event of its deterioration, the onset of a state of emergency in the country, the state does not have access to foreign markets and will not be able to feed its citizens (Aliev, 2017, pp. 177–179; Anichin & Elfimov, 2015);
- to ensure sustainable development of rural areas. The latter play an important role in political geography, the formation of moral and spiritual principles in society, and the environmental problems solution. Providing conditions for expanding agricultural production is one of the factors supporting rural settlements and their infrastructure;

In addition, various scientists identify the following strategic goals of state support for agriculture:

- to accelerate growth rates and improve the quality of agricultural production development and, as a result, provide more complete satisfaction of the demand for food products from domestic producers;
- to develop and improve the material and technical base of agriculture via the achievements of scientific and technological progress;
- to reduce the dependence of the volume of products in agriculture on the negative impact of environmental factors, including natural and climatic;
- to provide environmental protection in agriculture;
- to protect the domestic market for agricultural products and food;
- to balance state regulation of agriculture and free market relations in the industry development (Abakarova, 2015).

In addition to the above goals, the tasks of state support for the agricultural sector can be singled out. These include the following:

- to create, develop and support social infrastructure in rural areas;
- to narrow the gap between wages and incomes of workers in agriculture and industry;
- to modernize and improve instruments for regulating agricultural markets;
- to ensure the development of scientific and technological progress.

To make the state able to achieve the above goals and solve the named tasks, the following is required: 1) to unambiguously formulate specific tasks, directions and mechanisms for their solution, 2) to develop a model and highlight the priorities of state agrarian policy and, 3) to develop mechanism of state support, which includes a system of methods and forms of influence. The leading role in supporting agriculture should be played by state authorities at various levels. At the same time, the tools and mechanisms must be substantiated at a theoretical level, as well as tried and tested due to the specifics of the agricultural sector of the economy.

While studying the problems of supporting agriculture, researchers paid special attention to the principles of developing state support for agricultural producers. The fundamental ones include the following:

- budgetary resources should be used with maximum efficiency;
- government support should be programmatic and targeted;

- the system of state support measures should correspond to changing conditions;
- federal and regional support should be differentiated: it is necessary to observe the distribution of tasks and functions between the levels of management of the agricultural sector, as well as consider regional specifics;

- the funds must be distributed objectively;
- the production intensification should be stimulated among commodity producers;
- economic and social goals should be combined and not contradict each other;
- warranty;
- focus on ensuring food security;
- availability and targeting.

In the study of this problem, considerable attention is paid to the forms and instruments of state support for the agricultural sector. At the federal level being the highest one three forms are used.

The first form is direct government support. It is the provision of subsidies for material resources, technical means and agricultural production, subsidies for short-term and long-term investment lending to agricultural enterprises, subsidies for agricultural companies to reimburse part of the expenses on insurance of agricultural crops, subsidies for capital expenditures, etc.

Indirect support is very diverse and includes the following: procurement of agricultural raw materials and foodstuffs in order to meet government needs, intervention in the agricultural market with the objective to regulate it, protection of economic interests, support of domestic agricultural business entities within various forms of foreign economic activity.

The indirect support of the agricultural sector by the state aims to develop its infrastructure, create and provide favorable organizational and economic conditions for conducting agricultural activities.

This form of support includes financing of fundamental research in agriculture, assistance in restructuring the existing debt of agricultural enterprises to the budgets of all levels and state extra-budgetary funds, in the restructuring of accounts payable to suppliers, replenishment of the authorized capital of such organizations as AO “Rosagroleasing”, AO “Rosselkhozbank”, etc. out of budget resources.

Indirect support is the least studied of all forms of government support. It includes a variety of organizational and economic measures combined with agri-food policy. Their peculiarity is that they do not require financial costs from the state or municipal budgets. This form of support uses instruments such as regulation of prices and tariffs, the volume of exports and imports of agricultural products, bans introduction, restrictions in the interests of the industry, and benefits provision.

Currently relevant and widespread is such an instrument of state support for agricultural enterprises as their financial recovery through their debts restructuring. In most cases, agricultural organizations do not seem to be able to independently carry out the reorganization procedure without government. Therefore, this form of support being the main component of the process of agricultural producers’ financial recovery should be given priority to.

Due to the haphazard nature, the existing methods of supporting agricultural producers do not always lead to the desired result without exerting proper influence on the development of the agro-industrial complex.

The measures are not ineffective in general. What makes them ineffective is that they are applied when the state does not have a clear solution of pressing socio-economic problems or a clear position on the allocation of priorities in the development of domestic agriculture.

One of the most important areas of state regulation of the country's economy is pricing policy regulating prices and tariffs. The experience of government intervention shows shortcomings in the pricing processes in agriculture.

Quotas establishment is another problematic mechanism for regulating agriculture. A quota being a limitation tool implies that in the event of negative phenomena in products marketing implemented by the state, its quota volume is purchased at a price announced in advance and guaranteed by state bodies. However, an enterprise may refuse to sell its products to the state. Quotas can affect both the productivity of agricultural products and their processors. If the value of quotas is exceeded, then this entails the emergence of economic sanctions including fines.

In developed countries quotas are used to prevent the surplus supplies. The use of quotas to reduce market supply or increase market demand is used to increase the market price to the desired level. This method enables to prevent or eliminate agricultural surplus.

An efficiently organized lending system is one of the most important criteria for the strong market performance. Its development is largely facilitated by the state aid represented by interest rate subsidies. However, experts note that it is characterized by some imperfections (Kuznetsova, 2015; Kuznetsova et al., 2021). According to the interest rate subsidy system, when receiving loans, the agricultural producers must initially pay the credit institution the part of the funds that should be reimbursed to them in the future. This measure aims to return the costs of paying interest from the federal budget and requires additional costs for companies that are in a financially disadvantaged position, which complicates the process of obtaining a loan.

The material and technical support of agricultural enterprises should be provided in a competitive environment. The federal law "On financial leasing" already touches upon this issue in the framework of leasing operations on a competitive basis. Leasing is financed from the federal budget, as well as from regional budgets. The law lists such structural elements of leasing as a list of property that is the subject of leasing; sources of leasing lending operations; conditions for their implementation in terms of providing agricultural production with technical means and pedigree livestock, as well as a fixed rental rate.

To ensure stable growth of the agrarian sector of the economy, government bodies introduce commodity and purchasing intervention. Both forms of intervention aim to maintain prices at the required level, that is, to stabilize the market. In case of shortages in the market, commodity interventions are introduced, and in case of oversupply – procurement interventions. Based on market research, government bodies calculate quotas for commodity investments and government purchases, as well as prices for agricultural products and food being sold and purchased.

Agricultural entrepreneurship is a highly risky business. Therefore, such a tool as insurance is not supposed to be neglected. The insurance system guarantees the stability of agricultural production. In accordance with the current regulatory framework, if the crop insurance system is applied, agricultural producers pay only part of the insurance premiums at the expense of their own sources, the other part is

paid from the federal budget. The amount of reimbursement for premium payments from the federal budget is heterogeneous and has differences both in individual regions and with regard to various crops.

To assist agriculture, the state can participate in pledging procedure. Pledging is one of the ways to guarantee the borrowers' financial obligations fulfillment. The task of state in agricultural products pledging is to allocate funds from the budget and to provide loans to manufacturers of this type of product.

The main areas of state support for agriculture are indicated in Article 7 of the Federal Law dated December 29, 2006 No. 264-FZ (as amended on December 25, 2018) "On the Development of Agriculture" (as amended and supplemented, entered into force on January 1, 2020):

- development of livestock breeding;
- development of elite seed production;
- ensuring the production of livestock products;
- ensuring the plant perennial vegetation and care for it;
- ensuring the renewal of fixed assets of agricultural producers;
- provision of measures to improve soil fertility;
- ensuring sustainable development of rural areas including the construction and keeping highways connecting settlements in an appropriate order;
- support of agricultural producers engaged in manufacturing agricultural products in unfavorable areas;
- development of organic agriculture and support for organic producers.

In addition to the above measures, there are also forms of indirect support for agriculture, and they are as follows:

- reduced concessional lending to agricultural enterprises;
- agricultural risk insurance system;
- providing advice to agricultural producers, training and retraining of personnel for this area;
- information support in state agrarian policy implementation.

Financing is provided in accordance with the legislation of the Russian Federation. The federal budget funds prescribed by the federal law on the federal budget for the next financial year are provided to the budgets of the constituent entities of the Russian Federation in the form of subsidies and aim to support the development of agriculture in the manner determined by the Government of the Russian Federation.

Federal budget funds have a designated purpose and cannot be spent on other purposes.

The need to support agriculture from the state is approved by the world experience in agricultural market development and the peculiarity of its functioning, specifically, inability of self-regulation. In foreign countries state support to agriculture aims not only to provide food to the population of the country but also to preserve the terrain and landscape, protect environment and ecology, as well as to support the local traditional way of life (Bespakhotny & Kapitonov, 2017).

## **7. Conclusion**

Adoption of expanded reproduction on an innovative basis requires a list of critical measures enabling the industry to move to a new technological level, significantly increase the productivity and

environmental friendliness of agricultural production. To increase the efficiency of the state financial support to agriculture, it is proposed to introduce measures to achieve the following goals:

- to ensure further training of agricultural employees and training of new personnel for this area;
- to attract and develop small businesses
- to raise awareness of agricultural producers of new support programs;
- to develop fish farming;
- to stimulate scientific activity in this area.

## References

- Abakarova, R. S. (2015). Regulation of agriculture. Positive aspects of foreign experience. *Bulletin of Irkutsk State Technical University*, 1(96), 129-132.
- Aliev, Z. B. (2017). Concessional lending as a topical instrument of state financial support for the agro-industrial complex. *Finance: Theory and Practice*, 21, 4(100), 66-77.
- Anichin, V. L., & Elfimov, A. D. (2015). *Improvement of state regulation of the reproduction process in agriculture*. BelGAU.
- Bespakhotny, G. V., & Kapitonov, A. A. (2017). Organizational and economic mechanism for the coordination of federal and regional programs in the agro-industrial complex. *Economist*, 7, 26-32.
- Federal Law No. 264-FZ of December 29, 2006 (as amended on December 25, 2018) "On the Development of Agriculture".
- Gerasimov, A., Gromov, E., Grigoryeva, O., Skripnichenko, Y., & Kapustina, E. (2020). Trends and Regularities of the Development of Regional Markets of Agricultural Products in the Russian Federation. *Quality-access to success*, 21(178), 143-147.
- Kuznetsova, M. V. (2015). Influence of venture investors' exit strategy on the efficiency of financing innovative projects. *Corporate Economics*, 2(2), 20-25.
- Kuznetsova, M. V., Zinovyeva, E. G., & Skripchenko, A. V. (2021). Measures to improve the effectiveness of state support for agriculture at the regional level. *IOP Conference Series: Earth and Environmental Science*, 723, 032015.
- Miloserdova, V. V. (2017). *Agricultural economics and agri-food policy*. Mir.
- Petukhova, M. S., Konova, N. N., Belaits, D. S., Chemova, S. G., Vyshegurov, M. S., & Golikov, A. I. (2018). Perfection of the technical and technological reequipment mechanism for agricultural production in Russia. *Espacios*, 39(18), 379-388.
- Petukhova, M. S., Stadnik, A. T., Sharavina, E. V., Samokhvalova, A. A., Grigoriev, N. V., & Chemova, S. G. (2016). Formation and development of the rotational system of farming in the Novosibirsk Region. *International Journal of Economic Research*, 13(6), 2509-2523.
- Petukhova, M. S., Stadnik, A. T., Shelkovnikov, S. A., Rudoy, Y. V., & Matveev, D. M. (2015). Improving the methodology of disposition of state support funds for agriculture under the WTO rules. *Asian Social Science*, 11(14), 133-140.
- Sagaydak, A. (2016). New trends in development of Land Administration in Russia. In *Land and Poverty Conference*. World Bank.