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## **RUSSIA AS THE RECEIVING COUNTRY FOR NON-MANUFACTURING (RETAIL & WHOLESALE) TRANSNATIONAL CORPORATIONS**

**Abstract:** the research describing in the article aims to the studying and deep and full disclosure of the TNCs topic; their geographical distribution both in the home and host countries. Because of the fact that trade never stays still and constantly evolves and creates its new forms, the research`s authors seem the theme of the non-manufacturing type of TNCs rather actual, particularly their narrow focus on retail and wholesale. Based on the data of the authoritative international ratings, the authors analyzed the previous and current development situation and prospects of the global TNCs. As the Russian TNCs specialize only in the extraction and production of oil and gas, the country is considered as a host. In the connection with the complicated political and economical situation with the countries of Europe and USA, our country has embarked on the development of mutually beneficial relations with the East countries and Asia-Pacific region; therefore it would be interesting to evaluate the prospects of joining the Russian market by these countries. The article is also devoted to the investment attractiveness of the South of Russia, its irregularity in the distribution by regions. Also to the retail multinationals/TNCs applicable in the territory and geography of their home countries were considered in the research. One of the main aim of the author is to estimate the perspectives vectors of region`s development – either East, or West.

**Keywords:** retail, wholesale, transnational corporation (TNC), multinational corporation (MNC), Foreign Direct Investment (FDI), South of Russia, investment attractiveness, economic development

Describing the features of the present stage of social development, the Russian President Vladimir Putin, noted that "the fight for leadership in the global competition wasn't so keen as now, and we see how the country, which positions seemed immutable yesterday, begins to give way to those which were treated with condescending contempt".

It is obvious that transnational corporations play a significant role in the world economy. In order to appreciate it, it's just enough to turn to the statistic data, according to which the amount of transnational/multinational corporate by 2013/2014 was about 82 thousand and near 810 thousand of their affiliates. Nowadays TNCs control about 2/3 of the world trade, they accounted for about 50% of world industrial pro-

duction, and they own about 80% of all patents, licenses and know-how existing in the world. A characteristic phenomenon which is inherent in the activities of modern TNCs is the rapid development of investment relations, accompanied by active diffusion of innovative technologies. Moreover, nowadays TNCs are the modern institutional form of production internationalization and the main exporters of foreign direct investment (FDI).

Currently, according to UNCTAD's data [25], there are about 63 thousand of TNCs, which approximately own 800 thousand of subsidiaries abroad. Among all of TNCs the most significant role belongs to 500 top echelon TNCs (and top 100 non-financial TNCs), the composition of which varies considerably in connection with increasing competition in world markets.

In 1995 UNCTAD has developed such an important indicator as the level of transnationality of the firm, which is measured by the index of transnationalization (TNI), to assess various aspects [25]. TNI is calculated as the arithmetic average between the three indicators the following ratios: foreign assets to total assets of TNCs; the volume of foreign sales to total sales and foreign labour force employed in affiliates to total workforce. This index helps to assess the degree of activity of connections of the parent company with internal and external activities. Due to this index was deemed that the most transnational companies are TNCs in Hong Kong (index 86%), Ireland (64%), Singapore (59%) [1].

However, this index doesn't include another aspect of transnational activities of companies, namely, the intensity of its foreign operations in accordance with the number of owned foreign affiliates. This aspect is calculated using the internationalization index (II) as the ratio owned by TNCs foreign affiliates to their total number [25].

The process of mergers and acquisitions has a significant impact on the change of the transnationalization index of TNCs in developed countries. However, this process automatically leads to the growth of internationalization of the company.

Ultimately, the number of TNCs established in the framework of the national economy, is a kind of indicator of the level of excess investment in one or another sphere of production, reflecting the degree of development of the economy as a whole. By the increase of FDI import the effect of "swelling of investment demand" in different sectors of the national economy can be achieved, which finally will lead to an increase in export growth of the national FDI.

Global FDI flows have increased by 36% in 2015 to about \$ 1.7 trillion. This is the highest level since the time of a global economic and financial crisis of 2008-2009 [25]. As a result of the incident bounce the structure of FDI nowadays by economic grouping tilted in favor of developed countries, which account for 55% of global FDI inflows in 2015. However, this growth was also achieved with the help of cross-

border mergers and acquisitions. The largest region-recipient of foreign direct investment are the Asian developing countries, it accounts one third of global FDI flows on their part [23].

A direct interdependence exists between the distribution of FDI flows and the emergence of TNCs in new geographical areas. So, there were some changes in the geographical structure of

the distribution of the world's largest TNCs over the past 20 years. In 1995 all the world's multinational corporations were located in the USA and Europe, and by 2013, there has been a trend declining the number of TNCs in the United States due to the emergence of major players in the Asian market (Table 1).

Table 1

**The geographical distribution of the 100 world`s largest non-financial TNCs 1995-2013 [18]**

| Country                    | Year |      |      |      |
|----------------------------|------|------|------|------|
|                            | 1995 | 2008 | 2012 | 2013 |
| USA                        | 30   | 18   | 22   | 23   |
| Japan                      | 18   | 9    | 8    | 10   |
| The UK                     | 11   | 15   | 14   | 16   |
| France                     | 11   | 15   | 14   | 11   |
| Germany                    | 9    | 13   | 10   | 10   |
| Another European countries | 13   | 21   | 20   | 19   |
| Israel                     | 0    | 0    | 0    | 1    |
| Russian Federation         | 0    | 0    | 1    | 0    |
| China and Hong Kong        | 0    | 3    | 4    | 5    |
| Another Asian countries    | 1    | 4    | 2    | 2    |
| Australia and Canada       | 6    | 1    | 2    | 2    |
| Brazil                     | 1    | 1    | 3    | 1    |

Approximately the same picture is reflected by other well-known rating of "Financial Times Global 500" according to which the indisputable leader in the number of the largest existing corporations is USA, in the second place is – Japan, after them there are Chinese and English, then French, German, Canadian, Brazilian, South Korean, Italian and Indian corporations. A discrepancy in the provided ratings are only because of

inclusion also the top finance corporations in FT Global 500. This list includes also small group of the Russian multinational corporations which leader is "Gazprom" [19].

For the further convenience in researching the author proposed a conditional classification of all existing TNC by economic sectors into 2 types – TNC which economic sector belongs to the area of services (engineering, communications, busi-

ness services, wholesale and retail, tourism, et al.), and TNC which economic sector does not belong to the service area (aircraft, automobile production, food/beverage/tobacco production, chemicals, diversified production, and others).

By the sector affiliation there is a tendency to increase the share of TNCs operating in the ser-

vice/non-manufacturing sector while maintaining a leading share of manufacturing corporations. So, if in 1993 the number of multinationals specializing in activities related to services amounted to 14, in 2013 their number reached 26.

Table 2

**TNK which economic sector belongs to the area of services from the Rating of 100 largest non-financial TNCs, 2013 [18]**

| Sector                  | Number of the companies |
|-------------------------|-------------------------|
| Business services       | 1                       |
| Engineering             | 1                       |
| Software                | 2                       |
| Telecommunications      | 5                       |
| Warehouse and Logistics | 3                       |
| Public utilities        | 5                       |
| Retail                  | 3                       |
| Wholesale               | 5                       |
| Another services        | 1                       |
| Total:                  | 26                      |

Based on the dynamics of the Table 1 and Table 2 above we can predict an overall increase of representation among the largest direct investors of the world of Latin American and Asian TNCs.

A special role in recent years in the global market began to play affiliates, which according to UNCTAD, accounting for 33% of world trade and more than 10% of world GDP. Moreover, TNCs play an increasingly significant role in the development of R&D activities. They account for about 80% of patents and 80% of total R&D funding [3].

According to the Table 3 the largest group of TNCs is concentrated in the banking-financial sector (corporations in of USA and China); became an independent group of transnational banks (TNB).

The second and most numerous group of TNCs present in the sphere of extraction and processing of oil and gas, where the leader positions belong to TNC from USA and China either. Russian TNCs are also included in this group – Gazprom, Rosneft, LUKOIL, etc. And the third group of TNCs is concentrated in the field of pharmaceutical production and biotechnology.

Table 3

**Distribution of the largest multinational corporations  
on some specialization and countries in 2015 [19]**

| Sphere of activity           | Amount of TNCs | Parent countries                      | Sphere of activity              | Amount of TNCs | Parent countries                 |
|------------------------------|----------------|---------------------------------------|---------------------------------|----------------|----------------------------------|
| Oil & gas producers          | 31             | USA<br>China<br>Russia<br>Canada etc. | Technology hardware & equipment | 19             | USA<br>Japan<br>Taiwan<br>etc.   |
| Banks                        | 71             | USA<br>China<br>Australia<br>etc.     | Automobiles & parts             | 17             | Japan<br>Germany<br>USA<br>etc.  |
| Food producers               | 8              | USA<br>UK<br>France<br>Switzerland    | Pharmaceutical & biotechnology  | 30             | USA<br>Switzerland<br>Japan etc. |
| Software & computer services | 8              | USA<br>India<br>Hong Kong<br>Germany  | General retailers               | 16             | USA<br>Spain<br>Japan<br>etc.    |
| Total                        |                |                                       |                                 | 200            |                                  |

For confirmation of these factors the authors of this research decided to make some analyses for identification of the most attractive and steady against economic crises industries in dynamics, the same international rating of Financial Times Global 500 for the period of 2008-2015 became the basis for this analysis.

In the Table 4 there are 8 key fields of activity of multinational corporations for the last 9 years. As show the data the steadiest in the conditions of world economic crises is the sphere of automobiles and parts industry. Also until recently

the sphere of oil and gas production was rather steady too, however the number of the multinational corporations involved in this specialization began to be sharply reduced in 2014-2015 when in spite of the fact that demand for energy raw materials always remains approximately at one level, the oil barrel price became very unstable that entailed fall of some market players down and getting out of rating.

Most of all, the bank sphere was damaged where the number of multinational corporations to 2009 was reduced from 83 to 56. And in spite

of the fact that since 2010 they began to increase again, the pre-crisis indicator still wasn't

reached. It confirms deep dependence of financial and economic spheres to economic shocks.

Table 4

**Amount of TNCs by specialization sectors in the period of 2008-2015 [19]**

| Sphere of activity              | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|------|------|------|------|------|------|------|------|------|
| Oil & gas producers             | 43   | 43   | 44   | 45   | 46   | 43   | 43   | 38   | 31   |
| Banks                           | 83   | 71   | 56   | 69   | 75   | 71   | 65   | 68   | 71   |
| Food producers                  | 7    | 9    | 11   | 9    | 9    | 9    | 12   | 10   | 8    |
| Software & computer services    | 11   | 10   | 12   | 12   | 12   | 13   | 15   | 12   | 8    |
| Technology hardware & equipment | 21   | 18   | 18   | 21   | 19   | 16   | 14   | 16   | 19   |
| Automobiles & parts             | 10   | 10   | 8    | 11   | 15   | 17   | 17   | 17   | 17   |
| Pharmaceutical & biotechnology  | 22   | 23   | 25   | 20   | 20   | 22   | 23   | 27   | 30   |
| General retailers               | 16   | 12   | 19   | 19   | 15   | 17   | 16   | 16   | 16   |
| Total                           | 213  | 196  | 193  | 206  | 211  | 208  | 205  | 204  | 200  |

Multinationals occupied in the sphere of Technology hardware & equipment are in the same situation. The number of such multinational corporations was reduced from 21 in 2007 to 16 in 2012. Such effect quite fits not only into world tendencies, but also in the macroeconomic theory which claims that during crises of the companies stop Researches and Development funding for the purpose of "survival" in the conditions of crisis.

The multinational corporations concentrated in the field of provision of software products and computer services, and also pharmaceuticals and biotechnologies have the greatest volatility, testifying the stable demand of these spheres [6].

Also the authors carried out other analysis in geographical aspect of modern multinational corporation activities` disposal; this analysis was carried out in both directions – as dynamics of

multinational corporation in the countries of basing, and in adoptive states. Changes of a country arrangement of multinational corporation are also specified, on the one hand, the development of integration processes, and on the other – demonstrate the economic capacity of multinational corporations and the countries in the territory of which the head companies are established [11].

Features of development of multinational corporations in various geographical conditions are of special interest. So, transnational corporations in developing countries are forced to operate in the conditions of a fierce competition on the domestic market. Also TNCs in developing countries are forced to use the strategy of profit maximization, not the revenue as it is often accepted in developed countries. Many western experts note that TNCs in developing countries develop 10 times quicker, than multinational corporations

of developed countries. For example, only in the period of 2006-2014 their investment flows grew more than by 150% [23].

For example, the American type of MNCs is characterized as market oriented on financial system with the high level of the capital market development, with various set of financial structures and tools [25]. In the American multinational corporations the crucial role is played by shareholders. Top managers are only like conductors of shareholders` desires, therefore there is a fight of interests. Managers are interested in corporation size increase, also due to reduction of dividends. For this reason finding an optimum point in interaction of shareholders and managers is one of the main objectives of the American multinational corporation type.

Features of the Japanese multinational corporations were created under the influence of historical specifics. The main feature of this type MNCs is collectivism. Their national culture considers that any social group is more important, than interests of separately taken individual.

Thus, depending on "geography origin" of multinational corporations it is possible to draw a conclusion on features of their both functioning, and development. For this reason the countries in the process of involvement of transnational corporations, first of all, have to study specific features and characteristic of this region (Table 5).

Table 5

**Country accessory of modern transnational corporations [19]**

| Countries of parent TNCs basing | 2007 | 2008 | 2009 | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 |
|---------------------------------|------|------|------|------|------|------|------|------|------|
| USA                             | 183  | 168  | 181  | 164  | 161  | 174  | 181  | 197  | 209  |
| China                           | 10   | 38   | 42   | 37   | 39   | 34   | 23   | 32   | 37   |
| France                          | 33   | 32   | 24   | 28   | 25   | 24   | 24   | 24   | 24   |
| Japan                           | 52   | 42   | 52   | 45   | 37   | 38   | 34   | 34   | 35   |
| Russia                          | 8    | 13   | 6    | 11   | 11   | 10   | 8    | 7    | 5    |
| Brazil                          | 7    | 11   | 9    | 12   | 11   | 12   | 10   | 8    | 6    |
| UK                              | 41   | 35   | 32   | 32   | 34   | 38   | 39   | 32   | 30   |
| Germany                         | 20   | 22   | 20   | 19   | 19   | 19   | 20   | 19   | 18   |
| Switzerland                     | 12   | 12   | 10   | 13   | 14   | 15   | 13   | 12   | 11   |
| India                           | 8    | 13   | 10   | 16   | 14   | 12   | 12   | 12   | 14   |

The most part from the total number of the world multinational corporations belongs to the USA. However it should be noted that during

crisis they showed essential reducing and fluctuation in change of number of transnational corporations. The situation a little stabilized in 2013

when the number of the American multinational corporations in rating FT Global 500 increased again and came to pre-crisis level.

Situation with the Chinese multinational corporations is slightly another [8]. Their quantity sharply increased in 2008, in comparison with previous year, crisis became a push for development of the Chinese economy. However activities of multinational corporations still remain unstable. It is possible to assume that the similar tendency is connected with low activity of the European states, stagnation of the external demand on the Chinese goods that caused decrease of the activity of the Chinese multinational corporations. The similar situation is characteristic also for the Indian transnational corporations.

The analysis showed that developed countries possess the greatest number of TNCs that also specifies a surplus of internal investments which move abroad of national economies. There are also some burning issues in development of European MNCs, similarity in development of Russian and Brazilian models of economy, availability of similar problems in Chinese and Indian economies is traced [10, 19].

Having carried out rather complete and comprehensive analysis of the current condition and dynamics of development of modern global multinational corporations, authors consider it expedient to pass directly to the affected problem of the declared research – to the wholesale and retail transnational corporations functioning in the territory of Russia as the host party, including the southern territory of the country as one of the most investment attractive regions.

Trade (both retail and wholesale) and public catering have high rates of equity turnover. In the conditions of long-term money deficit in the Russian economy availability of an industry which can give return already in a couple of years attracts the investors aiming to minimize risks [2].

The main rating determining attractiveness of economy to be invested into an industry of wholesale and retail trade is the rating of the consulting company AT Kearney. According to this rating last time Russia was included into top 10 countries with the most investment attractive sector of trade in 2013. Also as the data of the global retail rating show in 2015 Russia has taken 21 places, having lost 9 positions in comparison with last year [12].

The main reasons which don't allow Russia to enter the top of the rating is an uncertainty concerning an economy exit from crisis, the remaining geopolitical tension and lack of serious systematic reforms. More than 50% of respondents specified that they would increase amount of direct investments to Russia in case of settlement of the conflict in Ukraine, removals of sanctions and easing of geopolitical tension [12].

The listed problems influenced involvement of new investors on the Russian wholesale and retail market; however old players don't hurry to leave the Russian market.

High interest of the international retail networks in the Russian market is explained by that. Part of them, such as Auchan, Metro, Leroy Merlin, OBI, IKEA, Castorama and others, have already entered the Russian market and plan to

continue active development [14].

Foreign networks are usually more effective than local players. Their entrance leads to increase the competition and distribution of modern standards of work. For example, revenue from square meter of the floor space of the Russian hypermarkets "Lenta" is 220 thousand rubles, and the revenue of the French hypermarkets "Auchan" – is more than 400 thousand rubles, the German hypermarkets "Metro C&C" – is 285 thousand rubles on sq.m.

Considering the fact that the share of modern

formats of trade in Russia is at the level of developing countries (see Fig. 1, Fig. 2), here we have some prospects for development. To make the note, a modern format of shop – it is the self-service shop which offers a wide assortment, with the square more than 400 sq.m., with additional services for buyers in the territory (the ATM, the parking, cafe, toilets, drugstores, points on a seal of photos, etc.). In world practice the modern formats of trade are hypermarkets, supermarkets, shops type "Cash & Carry", discounters.

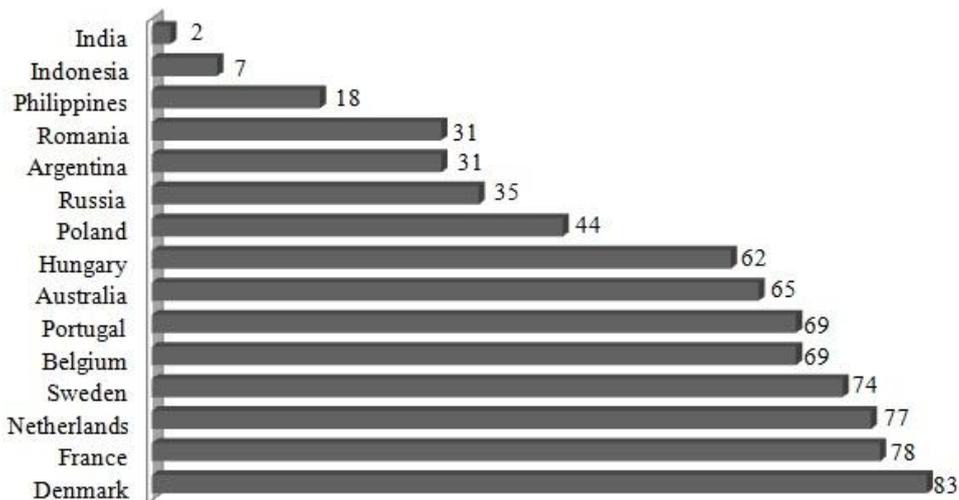


Fig. 1. Share of modern formats in food retail trade in 2012, per cent (%) [13, 24]

Thus, Russia much yields to economically developed countries on shares of modern formats

of trade both in food, and non-food area.

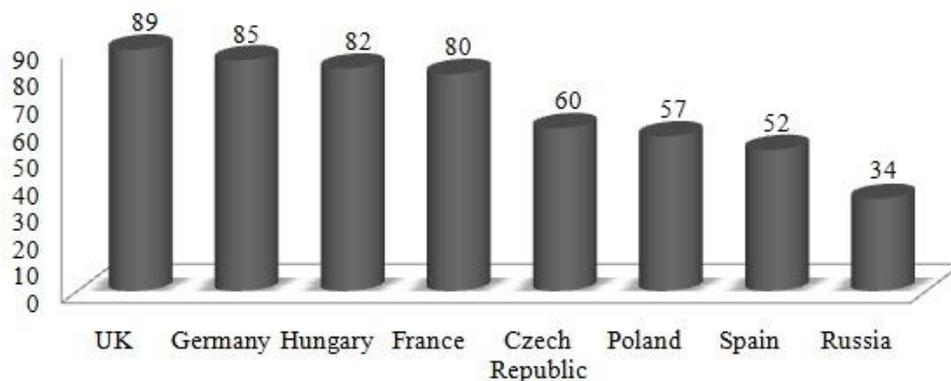


Fig. 2. Share of modern formats in non-food retail trade in 2012, per cent (%) [13, 24]

Investments are the most important factor of growth of any industry. As it was already told, trade has rather high rates of equity turnover that provides a short payback period of investments. It attracts investors. Since 1998, investment appeal of trade and public catering (first of all wholesale trade) constantly increased approximately up to the middle of the 2000th when the wholesale market began to pass into a maturity.

Moreover, since 2002 an industry "trade and

public catering" became the leader in attraction of foreign investments, and remained that also in 2007 and 2009. (Fig. 3). Besides, trade in Russia is one of leaders in a share of the entities with foreign property which are an investee. In 2002, 31% of investments into trade arrived on the entities with foreign property (in general across Russia on overseas enterprises 4,1% of investments), in 2012 – already 38% (in general across Russia – 6,1% arrived) [17].

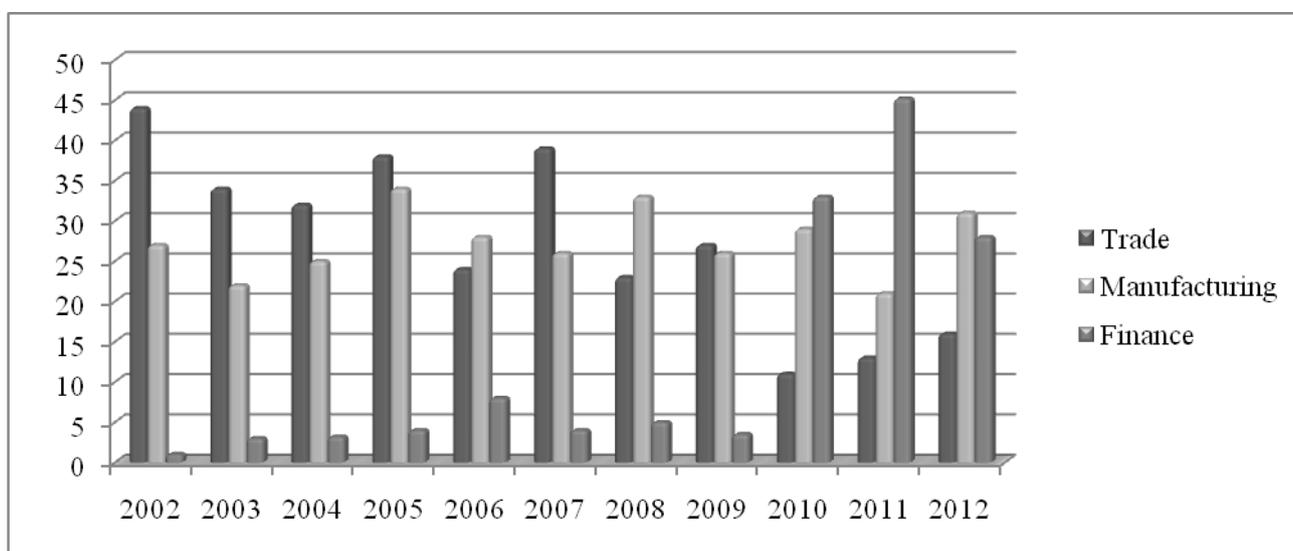


Fig. 3. Types of the leading economic activities by the share of foreign investments, per cent (%) of all foreign investments shape to Russia [13, 17]

After the "first" wave of a world economic crisis trade gave the leader's way in amount of foreign investments to the financial activities and manufacturing productions, however in the last 3 years its share began to grow again. In the light of Russia's accession to the World Trade Organization the interest of foreign investors is also directed to an industry of public catering as its potential is very promising.

Reflecting a direct situation with attendees at the South of Russia foreign multinational corporations, it is important to denote that in this ar-

ticle the definition of "South of Russia" includes not only the Southern Federal District (SFD), but also recently joined it Republic of Crimea and city Sevastopol, as well as the North Caucasian Federal District (NCFD), which also has a direct relevance to the South of the Russian Federation. So, what is the South of Russia? South Russia – is 15 administrative subjects with the centers in Rostov-on-Don and Pyatigorsk; this is population with more than 26 million people, which accounting for more than 17% of the Russian population; this is unique natural and climatic

conditions, excellent demographics, multinational, hardworking people [21, 22].

All non-manufacturing TNCs present in the South of Russia, one way or another, are more related to the distribution services, i.e. services of wholesale and retail trade. Conventionally, these TNCs can be classified into the following subspecies: – specializing in the sale of food products; – specializing in the sale of non-food goods (goods for the house and household appliances); – network clothing stores; – and car dealerships.

Currently, multinational companies specializing in the sale of food products (for the most part, there is also a non-food department in hypermarkets), represented by two TNCs – German "Metro Cash & Carry" and the French "Auchan". There are 10 hypermarkets of "Metro Cash & Carry" and 10 hypermarkets of "Auchan" in southern Russia, but the companies' strategies of geographic location differ from each other. If the German TNC prefers the strategy of geographical diversity, opening points of sale not only in the million-strong cities, and having 2 of the shopping centers in the North Caucasus region; so, the French company concentrates its shops only in the regional centers and currently

has no plans to expand the territory of the Caucasus (Fig. 4). In many ways, the policy of outlets' location in major cities can be attributed to the simple reason of the greatest concentration of population, money resources and entertainment industry here. That is, the more people – the more they eat, and, consequently, to open the stores here is profitable. Also, the more people – the more entertaining places where they rest and dine, and, therefore, it is advantageous to be a supplier for the local bars, cafes and restaurants. In addition, in many medium and small cities there are local retail chains with large hypermarkets and small shops discounter. For example, in the Krasnodar region foreign hypermarkets are not in so demand because of local trading network «Magnit» stores. This can be explained by the presence of 4 foreign retail TNCs in Krasnodar against 7 in Rostov-on-Don. In addition to providing jobs to the local population, a positive effect on the regional economy is achieved thanks to the fact that the presented TNCs are close with local farmers, buying their fresh vegetables, fruits, meat and some fish.

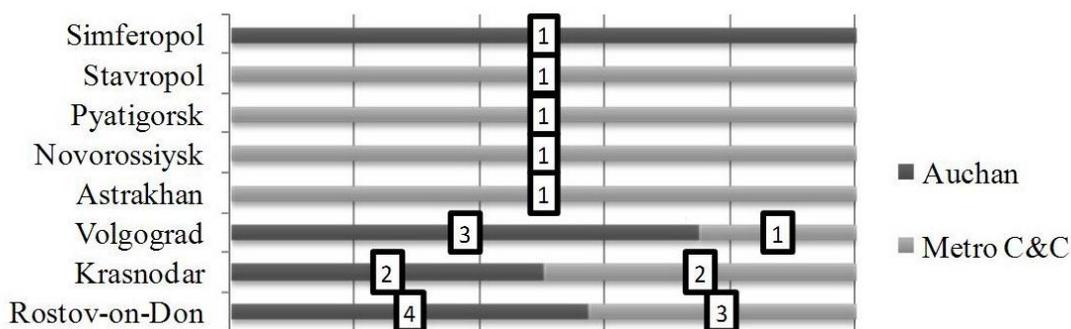


Fig. 4. Food retail TNCs and their amount in the South of Russian [20]

There are currently 4 international companies involved in the sale of goods for the construction and home renovation in the southern Russian market; they are – the Swedish "IKEA", French "Leroy Merlin" and "Castorama", as well as the German "OBI". The places of their presence are the same as the food retail TNC "Auchan" – Rostov-on-Don, Krasnodar and Volgograd. And

by the way all of these multinational companies are only in Krasnodar (Fig. 5). And it is quite logical tactic to place their outlets in regional centers with a high density and the number of population, as in the small nearby towns there are enough small shops or national retail chains, such as "Hoff" and "Baucenter".

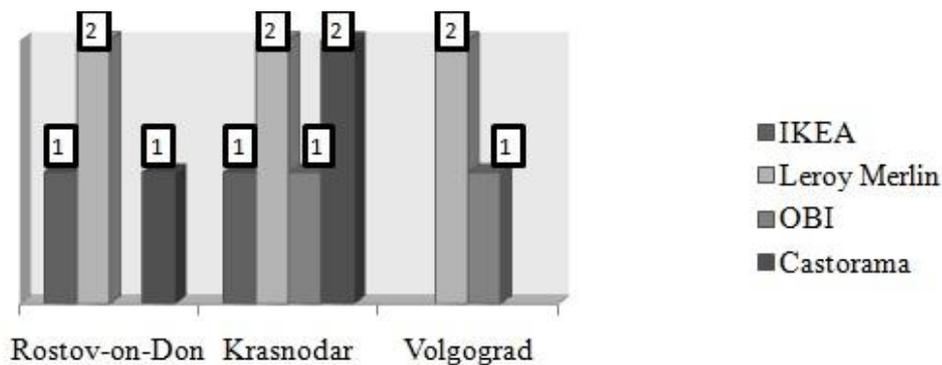


Fig. 5. Household retail TNCs and their amount in the South of Russian [20]

The market of international network retail clothing are widely distributed throughout Russia, including the south of it. The major players in the apparel market are Spanish "Mango" and "Inditex" (Zara, Bershka, Pull and Bear, Massimo Dutti, Stradivarius, Zara Home, Oysho), the Swedish "H&M Hennes & Mauritz AB", US "Limited Brands Inc" (Victoria`s Secret). There are also luxury brands such as Calvin Klein, D&G, Escada, Armani, LV and many others. Geographical spread of brands for the middle segment is rather broad, shops are almost everywhere, regardless of the city size. Luxury shops with branded clothing are only in large cities, most often in the regional centers.

It is curious that the lion's share of the Russian clothing market is filled with goods from China, cross-linked under the order of already

mentioned companies. There is no Chinese TNC in the clothing sector located in the territory of Russia. However, many Russians have long been known "Aliexpress" e-marketplace, which is part of the biggest electronic group "Alibaba Group". It is a kind of a virtual market with an abundance of clothing sellers, footwear, accessories and many other things. Despite the fact that the company operates only in an electronic format and there is not one but many sellers and manufacturers, we can safely say about the presence of Chinese TNC in the Russian market, albeit virtual.

A similar situation has developed in the automotive market. In the south of Russia there is only one automobile plant, cooperating with foreign manufacturers – the South Korean "Hyundai" and the Chinese "Chery", this is "Tagaz" in

Taganrog. At the moment, the activity of the plant is suspended. If we talk about car dealerships, they are located throughout the territory of southern Russia both in large and medium-sized cities. There are such trademarks of car centers as "Toyota" (Japan), "Volkswagen" (Germany), "Nissan" (Japan), "Mercedez Benz" (Germany), "Kia" (South Korea), "Renault" (France), "BMW" (Germany), "Mitsubishi" (Japan), "Jaguar/Land Rover" (UK), "Ford" (USA), "Mazda" (Japan), as well as Chinese brands "Lifan", "Geely", "Chery", "Changan" and many others [16].

Thus, it can be drawn some conclusions about the situation of retail and wholesale multinational companies in the South of Russia. Firstly, it's their placement. Mother's companies prefer to open their stores mainly in the Krasnodar, Rostov and Volgograd region; since it is the most developed southern regions with a steadily growing economy, good policy environment and

highly qualified labor power. It is noteworthy that the republics of the North Caucasus neglected by international companies. It is possible to find a logical explanation for this because of cultural and religious characteristics of the region, instability there and the possibility of terrorist acts. Second, the car companies and international retailers of clothing are almost in all regions of the South, in large and medium cities. Thirdly, about the investing countries. Based on this research, definitely, the largest share of coming TNCs belongs to Europe and America, with the exception of automotive dealerships and e-commerce "Alibaba Group" market. Today the development vector is directed to the "West". Maybe because there are more Western multinationals than the Eastern as such in quantitative terms, maybe the things will change in the nearest future, the only we can do now – is wait and make some forecasts.

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## **ECONOMIC ESSENCE AND OBJECTIVE NECESSITY OF STATE REGULATION OF AGRO-INDUSTRIAL COMPLEX**

**Abstract:** transition from planned and administrative economy to market assumes change of a role of the state, regarding decrease in extent of its intervention in economic activity of producers. At the same time, any state to what it would not present a social and economic and political system cannot normally develop without definition of strategic objectives and problems of development of society, mechanisms of their realization, and also the corresponding legal support. Efficiency of functioning of government just is also defined by ability to expect and predict, count and plan, to formulate and create organizational and economic prerequisites of realization of the policy, including agrarian. Even in the conditions of the developed market when economic contradictions already smoothed, there are ineradicable objective reasons causing the necessity of the state intervention in functioning of economy.

The market long time admitted self-regulating the western classical economic literature, except for the few special cases. The free actions of economic subjects dictated by their economic interests have to lead objectively, on the one hand, to achievement of equilibrium state, and on the other hand, to continuous modernization of production and consumption. At the same time resources automatically go to that branch where their return is highest that is reached by the change in price under the influence of supply and demand.

In the present article we make an attempt to formulate the optimum, in our opinion, purposes and tasks, and also forms and methods of state regulation of agrarian and industrial complex.

**Keywords:** agro-industrial complex, state regulation, market mechanism, forecasting, agricultural production

### **Purposes and tasks of state regulation agro-industrial complex.**

Subjective intervention of public authorities interferes with the normal course of economic processes, a modulation of resources, work and the capital, change of cost according to supply and demand therefore, normal economic development is only broken. Moreover, the centralized influence inevitably reflects subjective preferences, imposes them to society and is a step to totalitarianism. In too time, real experience of existence of market economy led to the fact that practically in all countries there is a state regulation. The market, being one of economy regulators, itself is adjustable, moreover, existence the political system is obliged to development and broad use of system of state regulation of economic processes in society. J. Gelbreytwrote: "The system survived because the state of general prosperity softened burdens and cruelty of initial capitalism [13]. Besides, labor unions which began to act as a counterbalance were legalized. And Keynesian revolution conferred responsibility on the state – whatever imperfect was its realization in practice – for stabilization of a business cycle and restriction of the related difficulties and despair. Prevention of mass unemployment and ensuring economic growth became the main indicators on which competence of the government was estimated. Meanwhile changes in structure of capitalism made outdated even a concept of "capitalism". That is functioning of market economy led it to a condition of adjustable market economy [9].

If to approach a regulation problem from positions of the facts, then it is clear that in agricultural production there is a number of features which do not allow to rely on spontaneous action of the market.

The American economist K. Gray allocates following "shortcomings" of activity of the agrarian market [14, 17]. First, owing to growth of labor productivity and at market saturation, increase in production of agricultural production leads to sharp falling of the prices as demand for food changes a little. Secondly, negative elasticity of food prices depending on the offer is big, that is the prices at overproduction fall sharply that can cause mass ruin of producers. Thirdly, elasticity of demand for food depending on the income of consumers and food prices is low, that is increase in the income of consumers poorly affects increase in demand, also as well as reduction of prices, causes rather small increase in demand for food [15, 16]. At last, fourthly, rather high dependence of production of agricultural production on climatic factors, forces the state to promote stabilization of the prices of it, otherwise the high risk and non-optimal decisions of producers when planning the production during the subsequent periods of time is inevitable.

Along with these reasons, usually call also need of protection of internal production of agricultural production against penetration of products from those countries where costs of production are significantly lower. Or on the contrary, support of export of own production on foreign market [14].

Besides, the market in itself does not guarantee such distribution of the income and price level at which all social groups of the population will regularly receive minimum necessary for good nutrition.

It is also one of the reasons for which in many countries the state influences various funds for consumption of food, "correcting" the market.

We also believe that there is a number of the serious reasons causing the necessity of state regulation of agricultural production.

One group of the reasons is the reasons of political character caused by the internal political and foreign policy importance of the most agrarian sector. The state bears responsibility for food supply of the population. Its serious violations can cause the social conflicts and even the crash of a political system. From the foreign policy point of view, only high degree of food self-reliance allows the state to be independent really. Therefore legal, administrative and economic levers the state influences the agrarian sector for achievement of political goals. State regulation is also system of corrective actions of the state on the agrarian sector.

Other group of the reasons is connected with features of agriculture. It is possible to distinguish influence of climatic factors from them. Their action dictates need of creation and development of the insurance regulated by the state [17]. However stronger impact on stability of agricultural production is made by instability of the prices, the constancy of their fluctuations depending more even not on weather and climate, and on market condition. Instability of the in-

come in agriculture is connected with it. As practice, change of the sizes of the income of agricultural producers shows, considerably exceeds change of volumes of agricultural production during the corresponding temporary periods. Such empirical regularities of an environment of agriculture as low elasticity of demand for production of agriculture at high elasticity of the prices are connected with it. That is, the volume of consumption of food changes slightly, at the change in price of the offer.

The important factor causing need of the state intervention in regulation of agricultural production is rather lower extent of monopolization, than in other branches of economy. The agrarian sphere is in great need in support and protection of the interests against the high-monopolized industries. If to add to it need of the agrarian sector for development of social and production infrastructure, and also need of greening of agricultural production, then need of the state support of the agrarian sector becomes even more obvious [24].

On the one hand, efforts and investments of producers are insufficient here. On the other hand – appeal of investments into agriculture is rather low. It is defined both by low profitability of capital investments, and a big payback period, and also a high capital intensity of branch.

As a result of action of all these reasons, the state intervention and regulation of agriculture and the agrarian market became the integral elements of agrarian policy in the developed market economy [6].

The third group of the reasons is defined by extent of structural and financial deformations and features of a transitional economy. The it is higher, the need of state regulation as the economic contradictions and problems which were already existing during the prereform period become aggravated is more. It, first of all the structural problems demanding the state intervention not only and not just by monetary methods, how many investments, tax benefits, preferential crediting, price control.

Besides, in the majority of the countries there is an essential differentiation of natural and economic conditions for agricultural production owing to which it, without support of the state could not develop in regions with less favorable conditions, for example, in the mountain area that would entail serious social consequences for the population of these areas [10]. It also causes the corresponding regulating influence of the state.

Purely market approach to change of owners with the earth, inevitably would lead to its quickly buying up around the cities, to its removal from an agricultural turn, speculation development that would worsen an ecological situation, reduced production of food, would raise the prices of them with all that it implies from here negative social consequences. For this reason the state regulates the land market, strictly regulating purchase and sale of land, interfering with a parcelization, the unreasonable termination of agricultural production on it [7].

It is necessary to consider also one more circumstance. Market mechanisms affect well economy that is promote development, but not

destruction of production, only at rather stable, close to equilibrium states. At violation of this stability, in need of sharp structural changes, the market in itself can give also the incorrect orientation, which in any case is not considering social "price" of these or those consequences. Therefore experience shows that at violation of stability, the governments of the developed countries most decisively interfere with market processes.

In general we see that within market economy there are serious and numerous reasons for state regulation of the agrarian sphere. Briefly they could be characterized as insufficient stability of development of agriculture and production of food at purely market self-regulation. Intervention of the state allows to combine social stability with high efficiency of economy. Borders, limits of state regulation are defined by need of preservation of the competition of producers as source of increase in efficiency of agricultural production. If, for example, the policy of the prices of agricultural products does not force to reduce costs of production, to increase labor productivity, to look for more effective directions of capital investments, then such policy promotes stagnation. The same treats also sale guarantees [1]. Concrete recipes can be given only by consideration of the concrete directions of state regulation about which it will be told below.

In Russia, agrarian crisis and agrarian reform have a structural focus. Implementation of radical branch shifts and creation of branched market infrastructure is a long-term problem of a transi-

tional economy. As a result landslide liberalization of the prices and self-elimination of the state from control of production and distribution, disproportions of economic development were only aggravated.

Other long-term problem of a transitional economy is implementation of social and economic transformation. This process has long-term character and will last not 2-3 years, but 10-15 and more [19].

If conditionally to accept a possibility of the "American" and "Prussian" ways of privatization and privatization (by analogy with ways of development of agriculture), then in our country this process will be closer to the last option [10]. And the question is particularly acute whether Russia needs to carry out similar large-scale transformations. We believe that we are not present as in it there is no need and there are no means for creation of new infrastructure in the agrarian sector. Increase in efficiency of the available large productions and support of highly effective new forms of managing as addition of the existing system is necessary. It is process long too. Its duration is defined not only economic factors, but also social. Only an insignificant part of country people (5-10%) was ready to independent work within country farms. Social factor is supplemented with economic. In the conditions of an unstable economic and political situation not only foreign investors are afraid to invest the capital in the real sector of economy. The same reasons constrain also residents of the village from creation independent farms.

It is also necessary to refer to tasks of the medium-term plan lack of finally created control system and planning [12], and also its instability and urgent need of adaptation of the existing organizational and administrative forms to system of the market relations.

Many countries were endured or experience difficulties of withdrawal pains old, constructions new, adaptations of organizational structures and people to the changing and changed economic relations. Experience of the countries passing from nationalized economy to market is of the greatest interest to Russia. A certain value has experience of transition from military economy to peace. The matter is that historically nationalized economy adopted many methods used by the state in extreme war conditions for the country. These methods were developed in complete system, but already for conditions of peace time. We have an experience of transition from the free market to adjustable matters in aspect of definition of limits and extent of intervention of the state in developed economy [23].

Need of transition to a market form of the organization of production, was recognized not at once by all scientists and statesmen, division of scientists – economists on two camps was outlined: the first – supporters of the commodity relations, others – monetary [1]. The first claimed that commodity production remains and develops at socialism. The second recognized, first, the known provisions of classics of Marxism that with abolition of capitalism and a private property also commodity production is abolished, and, secondly, relied on reality of exis-

tence of system of the centralized management and planning which practically excluded operation of laws of commodity production. This second part of economists, contrary to commodity production, characterized socialist production as "direct and public".

"Not isolation of links of production, but a community, not the disunity, but their unity – initial lines of a socialist way of production. Equating of different consumer costs as carriers of cost and in data of concrete types of work to abstract is not peculiar to a socialist way of production in its abstract form. Nevertheless, at socialism there are commodity relations" – the group of authors in the fundamental textbook on political economy under N.A. Tsagolov's edition claimed. Treated supporters of this point of view the academician of A.M. Rumyantsev, T.S. Khachaturov, V.N. Cherkovets, A.M. Eremin, A.V. Bachurin, V.N. Kulikov and many other economists acting on problems of the economic theory of socialism. As a matter of fact they were the majority [7, 20].

Behind distinction of these two theoretical positions there were two different views on the practical ways of improvement of an economic mechanism. Those who were closer to a position of "tovarnik" considered necessary to refuse system of plan targets, the centralized logistics, the centralized establishment of the prices and sales volumes to the state. At preservation of a certain regulating role of the state nevertheless the main regulator assumed the market.

Supporters of the concept of direct social production not without justification considered that

the centralized management has a lot more reserves consisting in improvement of quality of management and planning, in strengthening of fight against bureaucracy, a compartmentalization, on the one hand, and in transition to more complex systems of planning and material stimulation of growth of productivity of social activities. But it is necessary to recognize that from the point of view of historical prospect, the truth was nevertheless on the party of "tovarnik". From here and complexity of the choice of ways of transformations. In general, stages of transition to the market have to be predicted and be planned, that there are various maturities of market economy. It is ridiculous to represent business so that freedom of the prices and freedom of the order production it and is that market economy to which we aspire. This freedom in itself does not bear prosperity yet (it is a necessary, but not sufficient condition of economic growth) [6].

The idea that "through an abyss it is impossible to get over in two jumps" found to itself many followers in the government of Russia. But why the huge state, nearly 150 million people have to "jump", but not transform the life? The idea and practice of "jump" was opposed by the prominent economists heading fight for reforms in the seventies is V.A. Dobrynin, V.V. Miloserdov, N.Ya. Petrakov, D.S. Lvov, the vast majority of heads of the enterprises. In their opinion, such practice only deepens crisis and involves considerable decline in production that and occurred subsequently. It was predetermined by the following reasons:

– the refusal of the state of control for productions and also the collapse of the USSR entailed a mass rupture of economic communications that in the presence of a large number of the large specialized enterprises monopolists (in 1987 7,4% of the industrial enterprises produced 64,9% of gross output), entailed sharp decline in production;

– a number of branches of economy functioned by subsidies of the state, in particular the specific weight of military expenses in 1990 made 18% of gross national product therefore reduction of military programs entailed the corresponding reduction in allied industries;

– the structure of wholesale and retail prices was other than structure of the prices in the world market that in the conditions of liberalization of foreign economic activity caused leak from the country of considerable volumes of the resources necessary for domestic economy;

– absence at an overwhelming part of the population of skills and psychological preparation for business activity, for work in the conditions of economic and social instability;

– decrease in investments into updating of business assets, in connection with lifting of restrictions on distribution by the enterprises of the got profit [19].

If to ignore the previous development of the state, then it is impossible to develop the program of reforms corresponding actually to the situation. Then "the big jump", that is free or involuntary destruction of economy, the period of disasters of the population and only then, in process of accumulation of real experience by

reformers, slow formation of necessary institutes of economic life is inevitable. What for today we have in Russia.

All complex of problems of a transitional economy defines the most important principles of state regulation. It is necessary to distinguish the principle of agrarian protectionism from them. Even the countries with the developed market economy, with the developed agriculture and agro-industrial complex, in essence, adhere to this principle [23].

The principle of agrarian protectionism has two aspects. The intra economic aspect concerning relationship of agriculture with other branches. Higher level of production concentration in them, relative backwardness of the sphere of agrarian and industrial complex and lack of a possibility of the choice of partners (the uncompetitive environment) dictate need of "protection" of agriculture. Extent of this protectionism at liberalization of the prices in uncompetitive economy has to be higher, than in other conditions. The external economic aspect belongs to export and import of agricultural goods. Purchase abroad of production of agriculture, even more quality, in the conditions of crisis of sale exerts additional negative impact on a financial condition of agricultural producers.

Other major principle of state regulation which is of particular importance in the conditions of a crisis transitional economy is the principle of a combination of the economic and social targets. The regulation which is guided only by the solution of economic tasks is in advance doomed to failure. Success is possible when

measures of state regulation take the developed valuable orientations of the population, behavior model of its various groups, social and psychological and national peculiarities into account.

J. Keynes still in the thirties wrote that contrary to traditional theorems of classical school of bourgeois political economy, the balance point in labor market is not a point of full employment and full use of investment resources. For decrease in unemployment rate and stimulation of economic growth he offered intervention of the state by means of implementation of special investments.

The crisis and instability, and also coexistence of elements of diverse control systems is peculiar to a condition of a transitional economy. In such conditions respect for the principle of an indicative and directivity is important. Directive methods of regulation in the conditions of a transitional economy can extend to the enterprises of public sector, and also in cases of need of ensuring the state needs, under the emergency circumstances, and to other forms of managing. In process of the movement to the market the principle of an indicative becomes prevailing.

The principle of program regulation substantially reflects a form of implementation of influence of the state on agrarian the sector. Programs in market economy represent, first, a method of impact on competition mechanisms and by that, mitigation of negative consequences. In the conditions of a transitional economy of the program can and have to be method of impact on command system, way of formation of economic, social and material conditions for market forma-

tion. Secondly is a method of coordination of interests, regulation mechanisms [5]. Programs of macroeconomic character regulate and predict the most important proportions of development of branch and economy in general. Programs of microeconomic character influence economic conditions in branch and mention direct producers. According to the purposes and tasks of the program can be different types, for example

- the interindustry, regulating major macroeconomic proportions;
- branch, focused on the solution of problems of separate branches or spheres of agrarian and industrial complex;
- the commodity (grocery), defining market mechanisms in relation to this or that product;
- the functional, aimed at realization of key functions of state regulation agrarian and industrial complexes (investment, social and economic, scientific and technical, innovative, nature protection);
- the regional, containing a package of measures for impact of the state on a state agrarian and industrial complexes of certain areas and regions [24].

At realization of the principle of program regulation it is necessary to consider a number of requirements. First, complementarities of mechanisms of regulation. Any mechanism has the pluses and minuses, can multidirectional influence various problems of economy. Secondly, combination of voluntariness and obligation of participation in programs. If for market economy mainly voluntary participation in programs is peculiar, then in the conditions of a transitional

economy the principle of obligation can and has to be used more widely. First of all, it belongs to the enterprises of public sector, to the producers possessing a monopoly position in the market and included in the corresponding register. It is expedient to introduce a regime of obligatory participation in need of the solution of the emergency problems, realization of anti-recessionary actions, at implementation of ecological programs. At program regulation individual share of producers in financing of program actions is important. In other words, the state support compensates only a part of the means spent by producers when performing program actions. It promotes more effective use of financial support of the state with simultaneous mobilization of resources of producers.

Programs allow to guarantee support only of those groups of producers which correspond to conditions of programs. As direct payments, subsidies, and indirect levers put in action within certain programs on certain actions. Target use of means is one of the most important conditions of participation in programs, and its violation is punished [21].

Considering specifics of agricultural production, the developed systems of state regulation designed to provide performance of the following tasks work in the majority of the countries:

- support of a stable economic situation in agrarian and industrial complex;
- stabilization of market conditions and fluctuations of profitability in branch;
- preservation of jobs and prevention of undesirable migratory processes;

- ensuring food security of the state; financing of programs of reduction in production and changes in structure of production; protection of domestic market.

About forms and methods by means of which the state achieves the objectives, we will tell below [8].

### **Forms and methods of state regulation agro-industrial complex.**

According to the contents regulation, as a rule, is understood as conscious impact on subject to regulation mainly indirectly, unlike management at which wide use of direct influences is allowed.

In economy regulation is understood as influence through creation of system and conditions of economic activity during which subject to regulation, being guided by the interests, first of all economic, itself chooses as how to make to whom to deliver, at what price. That is regulation relies mainly on economic interests and uses indirect methods of impact on solutions of a producer [11].

However it would be incorrect to expel from arsenal of state regulation and a measure of direct influence. As a matter of fact, already the fact that state regulation relies on law force already means a certain exit from the sphere of purely economic relations. Direct establishment of the prices, production quotas are well-known as well concrete forms of direct impact of the state on production, for example.

In our opinion, state regulation of market economy can be defined how the legal, economic, social and ideological, educational and other

activity of public authorities directed to assistance to effective functioning of market economy, its mechanisms for increase in public welfare and their addition when the market mechanism insufficiently effectively solves problems of distribution of the production and consumer benefits.

It is represented that at such definition necessary emphasis on a prime role of mechanisms and laws of market economy is placed. At the same time it is specified that from the point of view of public welfare in some cases the market can be inefficient means, such as, in cases of "outer effects", "the public benefits" concerned earlier. Thereby certain borders to state regulation are put.

It is natural that accurately in advance it is impossible to specify all spheres and cases in which the market functions inefficiently. It in many respects depends on public preferences and the purposes, on social policy of the state.

For example, a certain size of unemployment can be considered in one state as an indicator of low efficiency of market mechanisms, and in another – on the contrary as it promotes updating of production and decrease in costs (through reduction of wages). Similarly, increase in prices for food can doubly be estimated: as positive factor of increase in balance of supply and demand and as negative factor of decrease in the standard of living, increase in social heterogeneity of society.

Therefore state regulation in economy means existence of the formulated public purposes and preferences. From the economy the purpose of

its functioning be removed cannot. In this regard, the definition given below given by A. Krupich is represented to us incomplete: "State regulation represents the mechanism of impact on the development of social production and distribution conformed with requirements of the market and realized by means of economic measures and within legal laws".

As state regulation results from the social purposes of society, the definition offered by K. Gray that state regulation is "approaches more... result of political processes, and it often is not supported by economic science" [13].

At the same time the economic science cannot but reckon with the fact of universal distribution of state regulation. Various strategy and methods of its implementation, compliance between the purposes and methods becomes an independent subject of economic science [4].

The purposes and the principles of state regulation in the agrarian sphere are formulated by agrarian strategy. Agrarian strategy characterizes, in turn, basic provisions of activity of the state in the agrarian sphere, in questions of the ownership of land and means of production, in increase in production and consumption of food, in ways of increase in production efficiency, in questions of increase in the income of villagers and environmental protections.

In 1990-1991 the agrarian strategy aimed at every possible development of agricultural production by formation of a layer of free manufacturing owners on the earth, real variety of forms of ownership, transition to the adjustable market relations to agrarian and industrial complex be-

gan to be formed at us. However, finally agrarian strategy of the state in Russia was not defined yet. There is a fight of two lines, one of which proceeds from the concept of the free market, up to refusal in financial aid to agriculture and accelerations of bankruptcy of bulk of large-scale enterprises (as a rule, the former collective farms and state farms). Other line – on gradual formation of the regulated agrarian market, on creation by the state of equal conditions for all forms of ownership and managing, support of social and economic development of the village [18].

Agrarian strategy, as a rule, is guided by the relevant legislation. It finds the concrete embodiment in agrarian policy. One of leading experts of Germany on agrarian policy professor V. Henriksmoyer defines agrarian policy as set of the purposes and actions directed to formation of economical and political operating conditions of agro-industrial complex and impact on the course of economic processes in it. Considering agrarian policy of the state, we understand as it a specification of the purposes and the principles of agrarian strategy in the laws, plans, programs, organizational and economic actions directed to transformation of agriculture. Agrarian policy, is a product of collaboration of legislature, the governments, the relevant ministries. It is expedient to develop it in the long term though it can join also short-term objectives. Proceeding from the accepted agrarian policy, the transformations directed to change of the basic principles of activity and interaction of various parts of agrarian and industrial complex are carried out [10].

Regulation of agricultural production represents the embodiment of agrarian policy in life. The greatest role in it belongs to executive bodies of the state, and also those structures which delegates appropriate authority. In agrarian policy most often allocate: to the politician of the prices and income; social policy; structural policy; economic policy.

More developed approach it is offered by A.I. Kostyaev who allocates basic and tactical subsystems of agrarian policy, and a tactical subsystem, in turn, for the main directions, methods and levers of state regulation. Thus, the following chain is built: the agrarian strategy of the state – agrarian policy – state regulation – levers and methods of state regulation.

Allocating the main directions of state regulation, it is the most expedient to apply the combined approach. That is, using at the same time production, grocery, financial, market, problem approaches together or set of several of them. Such approach allows to capture most fully all activities for regulation of economy of agrarian and industrial complex.

We consider necessary to mark out big variety of ways of allocation of the directions of agrarian policy and state regulation that is explained by extreme complexity of a subject to regulation and its interrelations with other branches of economy and subsystems of society [3].

Let's pass to the characteristic of forms and methods of state regulation now. It can be carried out in a look:

– publications of laws and other regulations;

- developments and realization of comprehensive plans of development;
- developments and implementation of state programs on separate large problems;
- implementation of various actions.

In practice these forms can be also used separately or in total, depending on character of a solvable task.

The methods of regulation of agrarian and industrial complex used by public authorities that is ways of impact on agricultural producers, it is possible to subdivide into the following main types: legal; economic; social and psychological; ideological, depending on what they are based on.

Legal methods rely on force and authority of the government; economic – on use of economic interests of various subjects of economic activity; social and psychological – on psychological aspect of human activity, and ideological – on need of the person for understanding of the public role, and also on understanding the personality socially – the economic processes happening in society [22].

In practice, certainly, these methods are most often used in a complex. For example, the publication of the law is followed by the corresponding ideological and psychological providing, considers economic interests of farmers and (or) other segments of the population, includes certain economic incentives and sanctions. The same treats also the developed programs in various spheres, to improvement of system of training.

Are possible as well other principles of classification of methods of regulation. So, professor P. Rider (Switzerland), allocates various methods on that object of the market on which they are designed to influence: methods of impact on export; methods of impact on import; methods of impact on domestic demand; methods of impact on the internal offer.

However the main feature of methods of regulation of the agrarian market is concluded in our opinion, not in the indirect nature of influence (as also direct fixing of the outputs or prices is possible) and not in object of influence, and in target orientation to development of market mechanisms or to their addition in necessary cases.

Key question of transition from nationalized economy to market is basic change of a role of economic levers, mechanisms of their action and force of impact on the agricultural producer.

First of all, as it was noted above, economic levers have to become the main regulators of relationship of the state and a producer. The sense consists here in that, having refused direct intervention in economic activity to achieve the objectives of the state, observing at the same time the principle of economic interest of a producer.

The mechanism of operation of economic levers is much more difficult, than administrative what complicates activity of corresponding public authorities. Certainly, there is a process of reduction of the sphere of directly administrative influence with a progressive growth of scales of economic intervention of the state in economic activity of producers. And this growth has to not only replace purely administrative levers of in-

fluence, but also provide positive control of development of economic processes.

At all evidence of efficiency of economic levers of impact on a producer, increase in scales of regulation it is directly connected with opportunities of the state budget which are at the moment very limited.

The similar scheme of economic levers and order of their practical application have to be rather stable and be accepted at the federal level once in three-five years to provide stability of agro-industrial production and to give the chance to producers to carry out long-term planning of the economic activity. At the same time, changes, according to the changing situation can and have to be made to this system.

The government resolutions on operating conditions of agro-industrial complex adopted recently became a certain attempt to develop system of economic levers for rather long period [12]. However they cannot be called by complex documents, especially regarding ensuring practical use of mechanisms of their realization. As a rule, the directions of separate compensation payments to agricultural producers, terms for crediting and leasing, the main directions of support of the agrarian sector are specified in such documents.

Let's consider in more detail the main economic levers of state regulation of agrarian and industrial complex.

First of all, this regulation of price ratios. On the one hand, it is questions of price control to agricultural production, for ensuring stability of the income of the producer and the guaranteed

ensuring need of the population for food. With another, price control to the material resources and services delivered to an agricultural producer, by mainly economic impact on the industrial and serving enterprises and organizations, and also payments of compensations to agricultural producers. The main objective ensuring equivalence of exchange between agrarian and industrial complex and other branches of economy that is an indispensable condition of stable functioning of the commodity-money relations. Besides, here it is possible to include introduction of the mechanism of the target prices, for stimulation of production of the import-substituting or exported types of production, calculation of the threshold prices for determination of terms of input and sizes of the customs duties [25].

Other main economic lever of regulation of agrarian and industrial complex is the tax policy including system of privileges for the agricultural producer, stimulation of investments into the sphere of agrarian and industrial complex and production of means of production for agriculture. Stimulation of development of the social sphere of the village, attraction in agriculture of an active part of able-bodied population.

Here, we do not assume, to state all mechanism of state regulation of agrarian and industrial complex, and only to show its versatility and importance for creation of normal conditions of economic development of agrarian and industrial complex and economy in general. The exception of any element of the general system of regulation can lead to a distortion of the economic relations, interindustry disproportions which as

showed experience of agrarian reform in Russia, cannot be eliminated only at the expense of market mechanisms of self-regulation. Moreover, in such cases destructive processes which lead to aggravation of a crisis situation sharply amplify and cause big losses in the national economy in general. As the market of food and agricultural raw materials in many respects defines in general

commodity market in the country, inflationary processes, social stability. Violation of stable functioning of agrarian and industrial complex is moved to other spheres of economy and destabilizes economic system of the state [2]. Thus, rational use of levers of state regulation of agrarian and industrial complex, is the most important problem of the state.

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**THE U.S. CREDIT SYSTEM THROUGH COMMODITY CREDIT CORPORATION  
(CCC, USDA) AS A BASIS FOR THE CAPITALIZING IN THE AGRIBUSINESS  
FOR EXAMPLE OF THE RUSSIAN EXPERIENCE**

**Abstract:** the commodity credit corporation is state-owned and functions entity that was created in 1933 to do stability, support and protect farm business and income getting and prices. The system of the farm crediting is included CCC and banks. This system is build agricultural economy for farmers and ranchers and other service companies. Credit system provides the U.S. export, receiving the loans for buying rural houses, obtaining loans for farmers, financing of the infrastructure and communications, energy and water consuming. Historically, in the USA beginning of the farm policy has been done at 1920. The crisis in 20 years of 20 century was a reason that state support got begun Acts and there are actual for practice in the USA. First, legislative acts of the providers of the price and income support policy have been Agricultural Marketing Act of 1929) and Agricultural Adjustment Act of 1933. These Acts have been getting huge experience by the activities of price fluctuations smoothing and decline of uncertainties, which have been obtaining to farmers for produced commodities. The free ownership of liquidity re-

sources through access to capital market is the strategic goal something companies. The saving of the capital is possible through equity and debt capitals. The forming of the stock capital balancing would be found on the projecting of chart, which, is consisted from investment project development for long-term period. The forming the portfolio of the project investment is based on the banking rates. The cost capital has an important meaning in the economy because they are identified multifunctional role of the real and portfolio investments into production entity capital; choose of the fiscal policy; dividend payments and added capital.

**Keywords:** credit system, CCC USDA, state policy, state support, USA, farm bill, investments, stock capital, nonrecourse loans

### Introduction

Government is made the control of budget financial resource for doing risk management and is ready to compensate premium by the themselves. The found will be development from insurance's paying insurance payments. The program from risk management on the regional scale has to be going with difficulties of the inefficiency processing work companies that has been going the cooperation with agricultural commercial farms and market operators had not to be soft in transitive business ecosystem. The purpose of insurance companies are developed receiving premium payments at sustainable conditions for carrying out of the problem with falsification of data resources. Furthermore, the making of decisions supposed to be effectively. The mixed risk management has been developing for subsidies. Spain is being made the risk management at implementing through preinsurancable payments in the union of state list covering unprofitable activity from its reserves.

The main aim of insurance legislation has to have in the principles of defense of the home statements in the Laws. The structure of the risk

management is developed using one half of insurance payments from Government. Another way could be inflation of insurance payments that was covered from budget. The subsidy is not provided consumer prefers. The risk of crop production with TPS supposed to be at the level of innovations.

The risk management was the base of cooperative development to receiving the factors of role increasing of the production system of the agrarian produce and supplying into food safety. The term of many functions in agriculture is needed making functions of agricultural producers that are not characterized to farmers which are depended with additional cost compensating of state for making equilibrium income level of industrial and agricultural productions.

The consumption of import agroproducts has been increasing in the modern Russia. Russian consumers has been getting about 13 billion dollars annually. In such conditions we are getting the problem of food security in Russia and national volume of the agroproducts should be at same quality.

## Context

The support of agricultural producers on the base of custom service methods at state support of the food products must be providing the food security (Novoselova N. 2007).

This issue has been considering at same level of globalization. Which countries are being considered the food security? There are countries with adverse climate for agricultural production (Norway, Japan, Europe Union and etc.).

Mr. Allan Mustard (U.S. Ambassador in Turkmenistan) told middle American Consumer pays for the food about 10% of income. First, Corn Belt is one of the main reason of the cheapest of the food commodities because the climate and the soil are favorable cultivation through all agrarian places in the World. Secondly, the USA is invested to the science and the education from 1862 [12]. We have the best science and a farmer has excellent education to get the results of the science. Furthermore the private property on the land is allowed to make the credit system, what is developed more capitalizing in the Agriculture that others country and also the USA has a perfect transport infrastructure.

We develop effect report for the U.S. Farm Bill 2014-18 and the results are being gone that the Farm Bill 2014 has 5 years return rate and without the incoterms of the domestic consumption state payments less 1 year in the business program of Project-Expert Holding 6.0. This fact has shown economic, ecological, social and political multipole effects of the U.S. Agribusiness. We used two methods: present discounting method and straight-line graphically method. The

average profitability of the U.S. Agribusiness was taken in the retrospective at – 39,2%. The budget payments of the U.S. Farm Bill 2014 are included 97.8 bln. USD. dollars for five years, which are consisted crop and livestock insurance, conservation, commodity program and others Act payment.

Another program has been an opportunity to receive nonrecourse loans to the producers of wheat, rice, corn, feed grain, sunflowers, tobacco, cotton, sugar and nuts. The providing of these payments is possible through Commodity Credit Corporation (CCC, USDA) that is created in 1933. This corporation has been administrated by the USDA. CCC has the opportunity of the buying, selling, storing and exporting operations for the commodities and gives loans [5, 7, 9].

The mechanism of the nonrecourse loans is consisted if market prices do not have a benefit for farmers, who participate in the flexible contracts and farmers can use the delay by the selling products and can use the nonrecourse loans. The fact loans give the opportunity to get the money for produced harvest at the giving out to CCC, but the farmers do not loss the chance to distribute the products on the markets and to be returning the loans during 9 months. The size of the loan is depended from the volume production and accepted norms and rules. The matter of these norms are concluded minimum price, which the farmers can get for themselves commodities. In general, the average prices for the wheat could be 2,5 USD dollars per bushel in 1996. And the average prices and selected crops are shown on table 1. These norms are developed

by the CCC (USDA) annually and can be done to be increased or decreased for corresponding

volume and a commodity quality.

Table 1

**2014 Farm Act reference prices [1]**

| Covered commodities | Reference prices          |
|---------------------|---------------------------|
| Wheat               | \$5.50 per bushel         |
| Corn                | \$3.70 per bushel         |
| Grain sorghum       | \$3.95 per bushel         |
| Barley              | \$4.95 per bushel         |
| Oats                | \$2.40 per bushel         |
| Long-grain rice     | \$14.00 per hundredweight |
| Medium-grain rice   | \$14.00 per hundredweight |
| Soybeans            | \$8.40 per bushel         |
| Other oilseeds      | \$20.15 per hundredweight |
| Dry peas            | \$11.00 per hundredweight |
| Lentils             | \$19.97 per hundredweight |
| Small chickpeas     | \$19.04 per hundredweight |
| Large chickpeas     | \$21.54 per hundredweight |
| Peanuts             | \$535.00 per ton          |

Source: Agricultural Act of 2014, Title I.

The basement norm will be defined on the base 85% average prices which have on the market during duration 5 last harvesting but these prices are limited and guaranty levels. If the price has the benefit for famers they can sell the commodities by the profitable prices from CCC and pay the percentage for agroproducts. But if the prices are decline that farmers can get guaranty prices at CCC, USDA. Function of CCC is not limited into intermediary services by the nonrecourse loans providing. CCC makes the

purchasing, doing the storage, distribution farm products to receive balance of the supplying and supporting market prices. CCC makes the purchasing butter, cheese cheddar, powdered skim milk that can be sold only by the quality specifications [3, 4].

Scientists (Krylatykh, Strokova) must be sure what the import dependence in Japan that big issues are going followed:

1. providing of world market of food products may be instability in short time and to be increasing at middle perspective;

2. the agricultural trade has instability factor because many countries are done export not so far agroproducts and in general all countries are having import and save providing;

3. if the food products are not enough for life when countries buy some free agroproducts and that is going negative for world market (Krylatykh, Strokova).

These countries are competitors for countries of Kern group as example the USA. The main purpose of these countries is increasing of share foods in agrarian market. The USA is provided 20% income from export of food product.

In Economics there is a term of food safety. Food safety (Krylatykh, Strokova) is the access safety foods in enough volume for needed consumers.

Food Security is the economy of the Russian Federation that is a base of food independence and support of stability.

The changes in the agro-food system in Samara oblast from 20 century have done to provide ongoing and effective development of the legislative escorting function cooperatives, farmers and individual entrepreneurships as small business in agriculture and very different organizational and legislative forms activity. The farmers and individual entrepreneurships are the way of solving social problems in rural area, providing employment, increasing income population in rural are as well as level of merchandise and save of rural life form.

That should be made through legislative escorting the changes in the organizational form small business. It would be traditional cooperatives as well as new generation cooperatives. A lot of issues could be solved through cooperative development especially, a legislative decision of the problem land share is enfaced as property and another problem transitive from one category to another is labor expensive.

I will become acquainted with the policy of agrarian sector of the USA economy with objectives such as: stimulation of an infrastructure development, income maintenance of the farmers, development of agricultural research and education, food safety products, preservation and rational uses natural resources, and food help to needy. I know, that the state actively uses indirect methods to achieve the objectives specially Cooperative Extension.

We know what new generation cooperatives will be as corporation and that's relevant the issue of the capitalization in Samara oblast. Especially, I would like to note clear informative to potential and actual stock private persons. By the way, one of most directions program for Development Law in the Agro-Food System in the Russian Federation was become stimulate of development farmers and individual entrepreneurships as small business in agriculture and very different organizational and legislative forms activity through forming and development cooperatives (traditional cooperatives and new generation cooperatives). The cooperatives have been having a key position in the strong increasing of the economic potential, competitive advantages

and social status for agricultural producers, improving conditions of the agricultural activity and increasing profitability and rate of merchandise of the production. All these things are required legislative stimulate on the regional level for rural development and increasing business activity of the population in Samara oblast as well as in the Russian Federation.

Furthermore, at nearest time it is not solved the issue of making VAT for final estimates by the realizing inbound agricultural products and raw materials. This problem is following another issue that cooperatives should be paid the union agricultural tax and should sell all products from agricultural activity by the low prices than individual entrepreneurs and there is not possible cooperative movement and has requirement on the Budget Code in Russia. It does mean Law in the Budget Code.

The serious problem farm credit system is lack providing of credits. Moreover, the creating of long term crediting on the county level (in Russia that's rayon) and guarantee funds with a view of granting of credits to cooperative is a guarantee of municipal budgets and pledge of immovable municipal property [1, 3, 5].

We understand that the procedures must be with so strong Budget Code of the Russian Federation and others principal. From 2008 year all legislation activity has been making by the State Program in the development farming and regulation of the markets agricultural products and raw materials and finished good for consumers making by the Budget Code on the regional and federal levels. The base directions of the support of

the cooperatives have been included organizational and consulting services, law support and finance crediting.

The agricultural and food products policy in the USA is done with national aims. The main aim that is regulated of government should be the optimization of the production volumes on the base of ecological and economics principles for the agribusiness.

The main reason of this policy has been making the stabilization of the incomes of the farmers and correcting of the pricing. State agropolicy in the USA has the base of national and international standards and there is so relevant to Russia.

The level of human and material capitals is consisted from the role of state, development new technologies, tax resources and international exchange reserves.

International standards are the level of opened society to the international trade, positive capital transfers and technologies [6, 8].

We are using in our research world and especially American experience. Moreover, their scientists are mentioned the term of the Agribusiness. American and a lot of professors from Russia believe that the term of the Agro-Industrial Complex and Agribusiness are not the same as well we are thinking in that.

The main reason of these discussions is consisted the term of Agribusiness is being include the orientation on the consumer and others of the products safety with comparison Russian conditions. I know excellent example of the export and import of the tomatoes from Argentina to the

USA and back. The American consumers are not pays more for this agroproducts because in winter where in the USA tomatoes come from Argentina where summer at that time and the price is low and inverse the USA has been exporting to Argentina when the winter here. The result of such policy is the consumer should not pay more for this product.

This example is from Mr. Allan Mustard (Ministry counselor of Agriculture in the U.S. Embassy in New Delhi in India when he has had the same position in Moscow).

A free liquid resources ownership of the equities is strategic for some companies. Capital accumulation is performed a possibility of own attraction, and loan resources. A last place in forming of balanced apital, there is a designing of chart, which cornerstone implementation of effective investment projects during the long terms. Portfolio construction of project investment financing is based on an interest bank rate. Capital cost is essential in economy as the multipurpose role of investments is based high-profitable financial and real investments in production assets, choosen of fiscal policy, dividend payments, and added capital.

Very important in the analysis of influence of competitors is a packet of portfolio investments, which specialize in production localization that is catastrophically necessary by the strategy of the import substitution. Especially, important in the conditions of processing industries and business supply with unique ingredients and technologies for their production, which, in holdings

control mother companies. In it an agriholdingization sense in an European way.

The equity is a money, which cooperatives receive and accumulate from their members. The direction in receipt of the equity from membership is important cooperative principle, reflecting commitment in measurement of cooperation in the industry. The equity can be categorized in two directions, which are characterized as spatial and not spatial. The spatial equity is such equity, which is reflected in constituent documents by founders and having regional character.

The direct investments is usually turn out, when purchasing general predrain (dividends). The general equity serves the standard rate for founders as a source of joint financing and the normal subject for voting and decision making process. Other sources of direct investments are membership payments, certificates on membership and on the equity.

The loan capital can be categorized by two directions: regional and not spatial aspects, and also temporary (short-term and long-term). Cooperatives can borrow from traditional and unconventional financial sources. Commercial banks and insurance companies have been long-term stable financing from traditional sources. Other sources are broker offices through issue of securities (bonds and other bonds), and leasing. The U.S. agribusiness are vase of the development by the agricultural contracts (agrocontracts) and that are covered by 39% of total production. In 2008 it was 28% in 1991, and 11% in 1969. The production changes for farmer and pricing are two major risk factors income getting. Avail-

ability of risks doesn't allow to perform long-term production and investment.

Most world grain agrocompanies capitalization is consisted through machines, constructions, equipment, land as the equity, heavy agricultural machinery.

To construct liquid capitalization of the agrocompany we should make:

- reflecting the long-term fixed capital;
- fixing short-term operational capital;
- managing competently operational funds.

All types of business, including cooperatives (agrocompanies) are in great need in financing. Cooperatives use the equity for production operations is being covered operating cost and the fixed assets. The equity comes in two forms own assets and borrowed funds.

Coops agreements provide participation of manufacturing farmers in contractual agreements directly with owners for production cooperatives. In 2001 marketing cooperatives have been volume at 15 million dollars and more widely applied market contracts. Considering all cooperatives, market contracts used 19% of total number though long-term contractual agreements.

Vertical communications allow firm to avoid domination of large suppliers or consumers getting additional net profit, and making most profitable industries as product vertical. Farmers often apply for high profits on sale of agricultural products, which are expected from close interaction with processing companies, warehousing and retail trade. Vertical integration can unite competitors for the purpose over large suppliers of resources. The capital is needed at vertical

integration through consolidate of the property is restacked application of production contracts to lay down on the counteractor, when using market contracts. In fact, financial risk is transformed or decreases more considerably for acquisition of long-term borrowings and the investment capital for a start or expansions of business activity in agrofood system. Vertical integration determines extent of control between the interacting parties in spheres of production, conversion and implementation, and also risk level, the profitability and production volumes displayed in contractual agreements which depend on trust degree between participants of integration processes. We should apply the Canadian example for capitalizing development.

In Canada agricultural cooperatives play an extremely important role concerning conversion and in marketing of finished goods as well as in ensuring process of reproduction with raw materials, petrols, oil, lubricants and other service which is connected with agricultural production and marketing. The total quantity of the agricultural cooperatives integrated in Canada raised for the period 1998-2002 (table). Also during this period the tendency of their growth in case of creation of the integrated product chains was planned. It should be noted that by years both on regions of Canada and by types it was planned the opposite directions. So till 2000 integration of agricultural cooperatives decreased, and after 2001, on the contrary, increased, also in the Western Canada there was the greatest reduction of integration of cooperatives though in Quebec the greatest increase was noted. Besides, if the

number of agricultural supplying cooperatives on integration degree in a product chain sharply decreased, then the number of the marketing and serving cooperatives considerably increased. Integration of agricultural cooperatives includes process of establishment of close cross-industry ties both in cooperative, and between them in a product chain. Agricultural cooperatives in 2002 earned 14 billion dollars in comparison with 19 billion dollars in 1998. Decline in yield of agricultural cooperatives was considerable in 2002 in comparison with 1998 and constituted 34% in marketing cooperatives. It is connected with implementation of profile assets, revenue-producing such companies as Agricore and Saskatchewan Wheat Pool (SWP). In the table the largest 10 agricultural cooperatives of Canada among which SWP is the largest and winning first place are described.

Important indicator in assessment of activities of agricultural cooperatives of Canada is cost of economic production of goods and services – (VA). Besides, rather significant indicators are also gross value added (GVA) it is net earned means to the taxation (NEBT), wage (W) and a rate on debts (credits) (I). The difference (distinction) (DEP) – is calculated.

A quality is being become important component in market contracts which holds a specific place in pricing. At the same time generally consider, as a rule, quality and the used raw materials. In market contracts use several schemes of pricing. In some the uniform price for the agreement signature moment is established to mitigate price fluctuations in the future, in other

cases also use the basic price which changes proceeding only because of quality characteristics, in case of change of the last at the time of implementation of the contract to guarantee the minimum level of profit. When calculating of both the uniform price, and basic the costs correlated with transportation and storage are considered, the difference between these price types is only that uniform price is, as a rule, established on products of one type with identical quality characteristics. Forming of uniform price in livestock production in many respects depends on the size of fodder costs for sagination of animals.

In contracts in which it is used uniform prices for products of future harvest the last can be established even when landing cultures, at the same time the right of possession on products of future harvest remains until implementation behind producer which bears the responsibility connected with transportation and storage. The vertical integration the following:

1. Risks in pricing. Market contracts, reducing influence of price risks, stabilize the level of the income for agro producers in time. Stabilization of profitability for the manufacturing farmer increases his market flexibility and potentially is a source of increase in the sizes of profit. Decrease in risks allows to increase considerably for the producer access to the equity. Very much a part mitigation of a price risk is means of decrease in production costs and receipt of a possibility of the weighed price policy directed to increase in a share in the market.

2. Market guarantees. Producers can have risks owing to changes of consumer preferences,

and also the number of buyers in the market, problems with time of distribution of products and compliance of a condition of a production system to requirements of sales policy. Market contracts provide guarantees of requirements of the quality level and quantity to requirements.

3. Cost reduction on management of marketing. Application of long-term market contracts promotes reduction of time for a research and tracking of tactical changes in the market.

To maximize operating efficiency the modern overworking companies aim to increase control level over quantity and quality for cattle face

from the feeding entities, and also this activity guarantees reduction of risks for implementation of large investment projects. At the same time high capital cost and pressure of competitors forces the overworking companies to reduce idle production capacities.

The system of crediting is included 5 banks, CCC USDA and 96 credit associations: AgFirst, Agribank, Farm Credit of Texas and U.S. Agbank, The Agricultural Credit Bank (CoBank). They are owned the finance cooperatives and there are affiliated member associations (table 2, 3).

Table 2

**The main indicators of farm credit service of finance cooperatives in the USA**

| <u>Indicators</u>               | <u>Meaning of the Indicators</u> |
|---------------------------------|----------------------------------|
| Measure of finance cooperatives | 101                              |
| Quantity of Members             | 453.600                          |
| Wage                            | 10.498                           |
| Total percentage income         | \$ 5,4 bln.                      |
| Net percentage income           | \$ 3 bln.                        |
| Total equity                    | \$ 124,9 bln.                    |
| Credit portfolio                | \$ 96 bln.                       |

Table 3

**Five largest finance cooperatives in the USA**

| <b>Cooperative</b>        | <b>State</b>   | <b>Associations</b> | <b>Credit portfolio, \$ bln.</b> |
|---------------------------|----------------|---------------------|----------------------------------|
| AgFirst                   | South Carolina | 23                  | 15,6                             |
| AgriBank                  | Minnesota      | 18                  | 34,7                             |
| Farm Credit Bank of Texas | Texas          | 21                  | 9,1                              |
| U.S. AgBank               | Kansas         | 29                  | 15,7                             |
| CoBank                    | Colorado       | 5                   | 26,3                             |

## Conclusion

The system of the farm crediting is included CCC and banks. This is a federal program that is joined finance-crediting institutes. This system is build agricultural economy for farmers and ranchers and other service companies. Credit system provides the U.S. export, receiving the loans for buying rural houses, obtaining loans for farmers, financing of the infrastructure and communications, energy and water consuming. These banks are jointly owned to Federal Farm Credit Banks Funding Corporation. The system of crediting is based at Farm Credit Act and has a control from Farm Credit Administration. On ending 2014 credit system has been joined 125 bln. USD dollars with annually net income is 1 bln. USD dollars into each from 5 banks for last 10 years. The strict management and reasonable level of the long-term and short-term crediting are increased the capitalizing more that 17% total entity [8, 11].

This system of crediting is actually for Russian bank system, where agricultural crediting is represented to Russian Agricultural Bank. After

sanctionties the bank got the loss after capital revaluation. Many farmers cannot get the credit and returned the buying mashines and combines and others. One of the most important ways that is done by the Russian Government is effectfully using land and pension financing.

The U.S. science and research were made a big job the giving characteristics of the new generation cooperatives development in Agribusiness. They were following describing and characteristics:

1. Closed Membership;
2. The Participating dependences from right accesses and ownership in the capital;
3. Transparently ownership;
4. The investments and assets could be combined or not yet with additional cost and capital.

The market distribution is tradition method that is a distribution at current prices on the market [4, 9]. Production and marketing contracts are the measure of the vertical integration. To apply the contracts in the agribusiness there is helping to optimize and better controlling and forecasting of the finance stream.

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**INNOVATION DEVELOPMENT: ENVIRONMENTAL TECHNOLOGY  
FORESIGHT AND THE DEVELOPMENT OF GREEN ECONOMY SECTORS**

**Abstract:** the development of mankind requires a speedy transition to new principles and economic activities related to the production, distribution and consumption of goods and services that would contribute to the welfare of the person in the long run, without putting the future generation of significant environmental risks into uninhabitable environment. The concept of "green economy" is becoming a great public outcry. She is actively discussed by international experts, policy makers, non-governmental organizations. Many countries use a variety of "green economy" tools in their national policies and development strategies. On the need for "green" growth is increasingly spoken in Russia, including at the highest political level. At the same time, many developing countries fear that the use of "green economy" model can slow down the process of their development. This problem requires further analysis and study of the extent to which this is true and how we can mitigate the possible costs.

The article analyzes the development prospects of Russia's innovative technology based on the trinity concept of "green" innovation economy, energy efficiency and sustainable development in detail reveals the possibility of the development of green sectors, proposes measures and mechanisms for promoting new models of economic growth, focused on sustainable development in the stabilization of consumption wealth and traditional industrial growth.

The article stresses that since UNDP experts have identified five priority sectors for the implementation of the concept of transition to "green" economy (energy (electricity, heat, oil and gas); decrease the harmful effects of the transition to alternative energy, and water – one of the priorities for the state, which seeks to reduce water consumption by half by 2020; waste, the government aims to increase the current level of waste to 70% by 2020 year, agriculture and forestry should increase production without deteriora-

tion of soil fertility and the environment in general, transport, the majority of traffic in the Russian Federation carried out on diesel / gasoline, which also requires the development of alternative "green" approaches to improve the country's trade capacity.), it is precisely these sectors are a priority for integration into the process of strategic planning of development of the Russian economy. The need for advanced development of these sectors, certain specific areas of scientific research and technological development, including clean energy, new technologies in agriculture and "green" technologies in the industry requires urgent solutions and acts as the first stage of transition to sustainable development that fits within the environmental features of the Russian Federation. The transition to a "green" economy implies complexity and interconnectedness conducted in the regions of Russia measures presented in the form of individual plans, covering both the potential and the expected socio-economic effects.

**Keywords:** innovative development, sustainable development, green economy, green growth, environmental management, ecology

Environmental legislation abroad, developed in accordance with global trends and challenges against the background of strengthening the environmental pillar of sustainable development, where one of the most important trends and sustainable socio-economic policy is consistent integration of social, economic and environmental policies in the field of sustainable development. Continuous improvement of normative legal regulation in the sphere of environmental protection, the regulation of the major human activities that have or are likely to have on its negative impact, passed on partnership and efforts concentration principles, taking into account the degree of interaction between state institutions and the growing influence of supranational political, economic, social and environmental actors as well as civil society.

International experience in the field of environmental management held its formation under the influence of the public inquiries to state authorities, who were required to the complex task

of ensuring sustainable economic growth and competitiveness of national economies in the context of globalization and simultaneously reduce the negative impact of economic activity on the environment. Based on the recognition of the need for gradual change current unsustainable consumption and production patterns and the need to move to a more integrated model of development, and the importance of dissemination of sustainable development practices in the cooperation with other countries, including developing, the main objective is to determine and develop measures to long-term and continuous improvement of the quality of life through the creation of sustainable communities that are able to effectively manage resources, to use innovative and ecological potential of the economy and, ultimately, to ensure prosperity, environmental protection and social cohesion.

The evolution of the normative legal regulation in the field of environmental protection was carried out as part of the overall transformation

of the system of state regulation in the OECD countries, which began in the 70s of the last century, which have increasingly been linked to the process of public policy aimed at an integrated approach to solving problems, in contrast to pre-existing attempts to solve individual problems as they arise.

In the historical aspect of the establishment of international experience on environmental issues can be divided into several stages, each of which is characterized by a certain understanding of the relationship between ecology and economy. The history of the introduction of the ideology of ecological economy is based primarily on the tremendous work carried out by international and national organizations, as reflected in the aggregate of regulations and research base, which contributed to the formation of values in the public mind "green" housekeeper.

Along with climate change, which dictate the need for a global transformation of the economy, current global financial and energy crises also stipulate the urgent need to find new models of economic growth, focused on sustainable development in the stabilization of consumption of material goods and the traditional industrial growth.

The development of mankind (and soon just his physical survival) requires a speedy transition to new principles and economic activities related to the production, distribution and consumption of goods and services that would contribute to the welfare of the person in the long run, without putting the future generation of significant environmental risks into uninhabitable environment.

The crisis of recent years have forced many international organizations and institutions to step up research of the quality of modern economic growth and the search for innovative models to ensure the harmonious development of man and nature. One such model is proposed by the UN concept of "green growth", which provides a qualitative change in production and consumption patterns, the integration of "green" principles in strategic planning and budgeting, the greening of business and infrastructure.

The last decades of progressive mankind concern about the environment (OS), aware of the fact that the problem is related to the operating system is of global importance for the survival of mankind and recognizing the need to develop a certain uniform set of policies and measures in respect of different countries to the human impact on the environment and environmental management.

The main international legal protection in the field of environmental protection are the sources of international conventions, treaties, agreements, resolutions and documents of international organizations in terms of environmental protection and rational use of natural resources.

The main sources of international law (in accordance with the Charter of the International Court of Justice) are international conventions and customary international law. Customary international law is based on the repeated practice of the state, according to the conviction related to a legal obligation. Although the new provisions of customary law may appear relatively soon, the rapidity with which the awareness of

global environmental issues were among the priorities of international policy, means that in the evolution of the rule of law customary law is giving way to conventional or treaty law. Another important aspect of the international regulation of environmental protection is the development of "soft law" – non-binding legal instruments, which are laid in the recommendations and promising directions for future action, or which are an expression of the political commitment of states to achieve certain goals.

In general, the analysis of the international in the field of environmental agreements shows the apparent movement of their purely declarative content and prohibitive measures to the specific measures the formation of economic responsibility and international financial software implementation mechanisms decision-making mechanisms, especially with regard to assisting developing countries and countries in transition economy.

The rapidly developing over the past two decades, the concept of "green economy" is designed to ensure a more harmonious coordination of economic, social and environmental aspects of development, which would be acceptable to all groups of countries – developed, developing and transition countries.

The concept of "green economy" is becoming a great public outcry. She is actively discussed by international experts, policy makers, non-governmental organizations. Many countries use a variety of "green economy" tools in their national policies and development strategies. On the need for "green" growth is increasingly spo-

ken in Russia, including at the highest political level. At the same time, many developing countries fear that the use of "green economy" model can slow down the process of their development. This problem requires further analysis and study of the extent to which this is true and how we can mitigate the possible costs.

Almost all countries believe that the "green economy" is an important tool to achieve sustainable development and poverty eradication. Developing countries are the result of "green economy" see the eradication of poverty, the achievement of justice, attract investments while increasing resource efficiency, the creation of new jobs and increasing opportunities for access to new markets. BRICS countries believe that the transition to a "green economy" should mean a change in patterns of consumption and production in the industrialized countries, as well as the fight against poverty.

However, the least developed countries, are still wary of the potential impact of policies of "green economy" in the industrialized countries to their own economic prospects. They expressed doubt will be possible to ensure adequate access to technology and the required level of investment.

There is a widespread fear that the global standards and certification systems related to the transition to a "green economy" will lead to "green protectionism" and limited access to markets, and developing countries will impose additional conditions for official development assistance from donors.

The world is actively developing criteria and indicators for sustainable development, containing often highly complex system of indicators. Traditional economic indicators such as GDP, do not give a correct idea about the effectiveness of the economy, since do not reflect the negative impact of production and consumption of natural capital. Ideally, the change in the value of natural capital should be evaluated in terms of money and be reflected in national accounts.

This is one of the objectives of improving the system of environmental and economic accounting (SEEO), carried out today by the Statistics Division of the Secretariat of the United Nations, and intended to take into account in the assessment of the World Bank adjusted net national savings.

For sequential movement in the direction of Russia it is necessary to implement strategic planning system, which would include public administration sustainable development a hierarchy of long-term and medium-term development plans, taking into account the ecological and socio-economic factors.

To integrate the principles of "green economy" in the processes of strategic planning and forecasting consistent work is needed on the adoption of a complex system of measures.

At the heart of the main strategic directions of development of the countries in the 21st century, the concept serves three main points: "green" innovation economy, energy efficiency and sustainable development. We keenly feel that the old economic and social methods are no longer suitable. A more acceptable compromise. Where

in addition to the main purpose of economic development (meeting the state's needs and export the resource), an independent meaning should receive such innovation important priorities as ensuring environmental safety at the practical level, conservation of ecosystems, the use of territories of regions of the world for tourism, the organization in their reserves, etc. also, the ongoing development of world energy is accompanied by the restructuring of the energy balance, the change in the role and importance of individual energy [1].

The transition from the traditional model of economic growth to green economy is a global trend that defines sustainability not only of individual national economies, but also around the globe as a whole, and promote the green economy is the main and only way [2]. The United Nations (Environment Programme UNEP) and other international organizations (Global Institute "green growth» (GGGi), United Nations Economic and Social Commission for Asia and the Pacific (ESCAP), and others.) Play an active role in the promotion of «green growth». The entire international community objectively forced to look for ways to transition to the green economy – an economy that is based on the resource-saving and environmentally friendly production, increases human well-being and reduces the risk to the environment.

Russia industrialized countries and has its own unique environmental, economic and social problems, differing unfavorable ecological situation related to insufficient integration of environmental considerations in the planning of the

development of industry in the previous years. In this regard, of particular relevance acquire strategic long-term planning with the adoption of urgent and effective measures to encourage investment in innovative environmental technology and products to ensure synergy between the three main levels of development – economic growth, social welfare and environmental protection and human health [4 – 13]. Now the important systematic approach to planning long-term socio-economic development of the Russian Federation, with the analysis of the modern natural and technological processes as the basis of profound scientific rethinking ecological orientation of social production and the optimization of the dynamic development of the economy, defining ways and means to ensure long-term sustainable development.

With all the variety and features substantial differences of national economies, the selection of an optimal set of indicators reflecting the "greenness" of the economy, is the most important information based on reliable forecasting of dynamics of financial performance "green" development of the country and its international authority in solving the problems of sustainable development. The choice of these indicators should take place in accordance with the international priorities, as well as taking into account the economic and natural-resource potential of the country.

Analysis of methodological approaches and a set of indicators that reflect the "green" economic development has shown that the methodological and informational basis for predicting the dy-

namics of change are quantitative indicators of the economy and macroeconomic variables. The solutions, reflected in the UN Declaration on the Environment 1992, Long-term vision and the important elements of the "green" development of the economies have been proposed, which is suitable for achieving a sustainable future.

In the past two decades in various countries began the transition to a "green" economy. The rapidly growing number of scientific studies conducted by international organizations, countries, corporations and civil society in the field of methodological approaches to the actualization of green growth indicators in the process of sustainable development in different countries.

As a rule, the results of these studies show that the country's transition to "green" economy has a strong economic and social rationale. There are compelling arguments in favor of doubling the efforts of the state and the private sector to implement the green economic transformation. The countries in this regard, the task of how to create a market economy rules of the game provide the advantage of "green" products. These conditions are achieved using a variety of tools and mechanisms, including as a result of refusing to provide outdated subsidy policy reform, and the creation of various incentives, strengthening market infrastructure, the redirection of public investment in the provision of green growth and the transition to government procurement of green products, technologies, works and services. Before the private sector is the problem of awareness and use of the state created by the possibilities offered by different stimuli transi-

tion to "green" economy, as well as responding to the policy priorities of the reform and price by increasing the volume of funding and investment aspects of green business development.

Within the UN there are a number of programs and organizations whose activities are aimed at providing support and assistance to countries on the path of sustainable development: UNEP, UNDP, UNIDO.

UNEP – United Nations Environment Programme. United Nations Environment Programme (UNEP), established in 1972. Its purpose is to provide leadership and encourage partnership in caring for the environment through the creation of opportunities for improving the quality of life of nations and peoples, without prejudice to future generations.

As a principal organ of the United Nations in the field of environment, UNEP is developing a global environmental program supports the implementation of the environmental dimension of sustainable development within the UN system, has steadily defended the natural environment of the world.

UNEP Governing Body, the Governing Council, composed of representatives of 58 countries, meets annually. Programs funded by the Environmental Foundation, formed by voluntary contributions from governments, involving trusts and small appropriation from the regular United Nations budget.

Functions and organization of the United Nations Environment Programme were defined by the General Assembly in its resolution 2997 (XXVII) of 15 December 1972 year. Areas of

UNEP activities were expanded in 1992 in connection with the approval of the Assembly of the Agenda for the XXI century, and in particular paragraphs 21-23 of Chapter 38 (resolution 47/190).

At its nineteenth session, held in February 1997, the UNEP Governing Council adopted decision 19/1 Nairobi Declaration, in which the role of UNEP was re-defined as follows: "the United Nations Programme for Environment shall act as the leading global environmental authority that sets the global environmental agenda, promotes the coherent implementation of the environmental dimension of sustainable development within the United Nations system and that serves as an authoritative advocate for the global environment. "In October 2008, UNEP issued a "Green Economic Initiative", in order to revive the global markets, the purpose of which is the use of a historic opportunity to form at the moment the economy of tomorrow.

Mobilizing and re-orientation of the global economy for investments in clean technology and infrastructure, environmental management, forests, soil, water, air, combat climate change and increase employment in the 21st century – the main task of the document submitted by UNEP.

Deputy UN and UNEP Executive Director Achim Steiner, the Secretary-General, said: "The financial, fuel and food crises in 2008 is partly the result of a misunderstanding of the real situation and the inability of governments to intelligently manage the markets and to direct them. But they are also part of a large-scale collapse of

the markets, causing even more profound and significant losses of natural capital and natural assets, coupled with the excessive dependence on a limited, often subsidized fossil fuels". "...The flip side of this coin is the enormous economic, social and environmental benefits that can arise from combating climate change and reorientation of investment in environmental management infrastructure – providing new green jobs in various sectors ranging from clean technologies and clean energy to sustainable agriculture and enterprise specializing in wildlife management", concluded Mr. Steiner.

Global climate change, the depletion of fish stocks and fertile soils up to forest ecosystems – vast natural "life support systems" operated by a small in comparison with the cost of equipment price, but they serve as repositories of water and carbon, provide stable soil conditions, the indigenous and the existence of the rural population, as well as store genetic resources, the cost of which is estimated trillions of dollars a year. Mr. Steiner noted the strong and urgent need for articulating vision and "transformational" ideas in the course of the Financing for Development Conference.

According to UNEP, the "green" technological revolution necessary to gain momentum as more and more jobs in the world will be in the environmental sector. For example, the UK has committed to develop a "green" economy in their own country and at the international level that will be beneficial to the business, the environment and development. UNEP initiative will contribute to these changes, in particular to help

the international community understand how all dependent on the environment – soil, air, water and biodiversity necessary for our existence.

The goal of the new report submitted by UNEP, is to assist Governments in implementing the best choice and supply the correct market signals to investors, businesses and consumers around the world in support of the fact that "we are moving from the development of the planet's resources to the management and new investment in it".

"Green Economic Initiative", financed by the European Commission, the Governments of Germany and Norway, partly based on the proposals received from the G8 + 5 two years ago.

In the course held in Bonn in May 2008, the Meeting of the Parties to the UN Convention on Biodiversity, associated with UNEP were submitted to the first phase of the study "The Economics of Ecosystems and Biodiversity (TEEB)" conducted by G8 + 5 and financed by the European Commission and the Government of Germany. This study has revealed the extent of the economic losses due to normal business practices and noted the strong ties between the destruction of ecosystems, loss of biodiversity and persistence of poverty.

"Green Economic Initiative" has three pillars:

- Assessing and highlighting the environmental services at the national and international level;
- Ensuring employment by creating new jobs in the design and implementation of an appropriate "green" policies;

– Use of appropriate administrative and market-based mechanisms and tools that can speed up the transition to a "green" economy. "Green Strategy" is based on the results of the TEEB study, while it is also connected with the UNEP initiative to create green jobs, the International Labour Organisation, the International Trade Union Confederation and the International Organization of Employers.

In the development of the "Green Economic Initiative" used the results of extensive research conducted under the auspices of UNEP, organizations such as the United Nations system and others. In the period from 18 to 24 months to the government – the North and South must be submitted to integrated assessments and policy documents for the implementation of the necessary transition to a "green" economy.

In the "new global deal" identified several sectors that are most capable of ensuring the cost-effective transition to environmentally sustainable development and employment:

- Clean energy and clean technologies including recycling;
- Agricultural energy, including the use of renewable energy and biomass energy;
- Agriculture, including technology for the processing of organic waste;
- Eco-system infrastructure;
- Reducing greenhouse gas emissions from deforestation and forest degradation;
- «green city», including planning, transportation and green building.

It should be noted that the "green" growth and "green" economy in these documents involve

only a reduction of the environmental impact and efficiency use of natural resources.

However, since 2008, UNEP publications and developments there is a very important feature of the "green economy", such as a large investment attractiveness for business. This feature displays a "green economy" to a whole new level when it becomes not just a political slogan and economic burden for businesses, and fully enter into the market, as an equal partner, economically sound, that is to become the basis for economic development of the state.

UNDP – United Nations Development Programme is the UN's global development network. It advocates for change and connecting countries to knowledge, experience and resources to help improve people's lives. UNDP was established in 1965 by the merger of the United Nations Special Fund, established in 1958, and the expanded technical assistance program based in 1949. UNDP Financial funds are derived from voluntary contributions from members of the organization, which may include the member states or the UN observers, and other major international organizations. UNDP works in 166 countries, working with them on their own solutions to global and national development. In the development of local capacity, they draw on the people of UNDP and its wide range of partners.

In the Millennium Declaration world leaders have pledged to achieve the Millennium sustainable development goals, including the overall goal of cutting poverty in half by 2015. UNDP's network links and coordinates efforts at the

global and national level, to achieve these goals. The main attention is paid to countries in the search for solutions and the exchange of experience on issues of democratic governance, poverty reduction, crisis prevention and mitigation, energy and environment, information and communication technologies, combating HIV/AIDS.

UNDP also manages the United Nations Capital Development Fund (UNCDF); United Nations Development Fund for Women (UNIFEM); The United Nations Volunteers (UNV). UNDP is managed by the Board of Governors composed of 36 people, representing both developing and industrialized countries. Among the main edition of the annual "Human Development Report" (*Human Development Report*).

UNDP assists governments in conducting surveys and studies of natural resources, in the establishment of educational institutions in the development of energy resources, provides consulting and expert services, trains professionals, provides equipment and ect. UNDP assistance gratuitous.

UNDP experts identify five priority sectors for the implementation of the concept of transition to "green" economy:

- Energy (electricity, heat, oil and gas); reduction of harmful effects and the transition to alternative energy;
- Water – one of the priorities for the state, which seeks to reduce water consumption by half by 2020;

- Waste, the government aims to increase the current level of recycling up to 70% in 2020 year;

- Agriculture and forestry should increase production without deterioration of soil fertility and the environment in general;

- Transport, the majority of traffic in Russia is carried out on diesel / gasoline, which also requires the development of alternative "green" approaches to improve the country's trade capacity.

These sectors are the priority for the integration of the strategic planning process of the national economy. The need for advanced development of these sectors, certain specific areas of scientific research and technological development, including clean energy, new technologies in agriculture and "green" technologies in the industry requires urgent solutions and acts as the first stage of transition to sustainable development that fits within the environmental features of the Russian Federation. The transition to a "green" economy implies complexity and interconnectedness conducted in the regions of the measures presented in the form of individual plans, covering both the potential and the expected socio-economic effects.

So according to expert estimates, the share of "green" energy in Russia is less than 1% of total electricity production in the Russian Federation. Globally, the use of renewable energy sources produced annually no more than 8.5 billion kWh of electricity (installed capacity of over 25 MW, excluding hydro). The greatest amount of energy

from alternative sources, biofuels accounted for, and then – in the wind, and the smallest – in the solar energy. By the use of "green" energy Russia ranks 54 th out of 84 countries. At the moment, Russia is realized only 3.5% of the energy potential of renewable energy sources (RES), which include wind turbines, solar panels, small hydro, geothermal and tidal power, biomass stations. The volume of commercially available renewable energy resources in the Russian Federation is equivalent to at least 4.6 billion tons of standard fuel. The total installed capacity of electricity generating plants and power plants using renewable energy sources (excluding hydro power plants with installed capacity exceeding 25 MW), in the Russian Federation at the present time does not exceed 2200 MW.

At the same time, the share of renewable energy sources (RES) in the energy mix in Germany is 25%, while by 2020. expected growth of this indicator in the country to 35%. In the United States, China and India, the share is about 12%, in Denmark alone wind energy provides 26% of needs. For example, in such a state of the Arctic as Norway, the basis for energy are liquid fuels and hydropower, and there is a power plant based on a tidal wave. Also consider the possibility of increasing the use of natural gas, where the implementation will depend on the projects of modern sewage treatment plants for the selection of carbon dioxide. Norway pays particular attention to the development of renewable energy sources (RES, wind farms, biomass, tides and sea, etc.), about

60% of the energy used in industry (excluding oil production) is produced from renewable energy sources; actively used the energy from thermal sources.

Annual investment in renewable energy worldwide exceeds US \$ 250 billion. In Russia the share of renewable energy remains more than modest and estimated at 0.5-0.8%. By 2020 State program of energy efficiency sets a goal to increase this share to 4.5% (in the solar generation will have less than 1%).

Prospects for the development of solar energy in Russia remains highly uncertain. The total capacity of solar energy in Russia by 2020. It can grow substantially in 1000, but its share in the total energy balance of the Russian Federation will be minor and disparate compared to European countries. The share of large-scale wind farms in the production of electricity in Russia is less than 0.01%. Russia produces about 15 billion tons of biomass per year, which is the energy equivalent of 8 billion tons of oil equivalent. The biomass suitable for energy production involves up to 800 million tons of wood, 250 million tons of agricultural waste, 70 million tonnes of wood waste (wood and pulp and paper industry), up to 60 million tons of municipal solid waste and 10 million tonnes of animal waste. These resources are, in principle, can ensure the production of about 100 million tons of oil equivalent biogas and 30 to 40 million tons of oil equivalent per year of methanol.

In recent decades for foreign politicians and businessmen renewable energy has become one of the most promising areas, contributing to

overcome the crisis, the solution of environmental and climate problems caused by the process of obtaining energy from traditional fuels.

The plans and modernization of energy infrastructure projects should ensure balanced spatial development. This task updates the analysis of the properties of the various segments of the spatial structure of the national energy sector, in order to efficiently focus their efforts and resources on the "weak" objects and relationships.

Speaking of the "green" transport, it is important to note that in Russia in recent years there have been significant limitations of economic growth due to the insufficient development of the transport system. It remains at a low level of innovative component in the development of rolling stock and technical means of transport, particularly in national transport. Significantly behind and environmental parameters of transport. At present, the experts indicated that the most environmentally friendly mode of transport, the railways are in the world. It is in this sector accounted for over 40% of passenger traffic in Russia, in turn, railways generate only 2% of greenhouse gases. The Russian Federation is the undisputed leader in the use of electrical energy in the transport sector, the experts put the figure of 7 percent. Another "green" mode of transportation are trams and trolleybuses. Of course, important in determining the sustainability of transport plays and how the electricity is produced, feeding trucks: Are used to generate hydroelectric power station, SES, WEC or CHP, which can run on natural gas (twice reduced emissions) or working on heavy fuel oil. For the transport

sector as an objective the transition to a green economy, UNEP identifies energy efficiency in order to achieve targets for energy consumption and emissions, as well as growth in the use of public transport.

One of the priorities of the "green" economy is a "green" building, where the approach to the design, construction and operation of buildings, comprising a number of decisions, actions, materials and equipment, focused on energy and resource efficiency.

"Green" building brings together a wide range of practices and methods that reduce the impact on the environment and human health. We can distinguish the following basic principles of "green" construction:

- Efficiency materials. Reducing their impact on the environment both during production and during use and disposal.
- Biopositive buildings for people. Creating a comfortable environment and no harmful effects on human health.
- The use of renewable resources and recycled materials.
- Rational use of land and energy resources. Applications difficult renewable and non-renewable resource technologies.

Appearing much later than in the US and Europe, "green" construction begins to be among the leaders in "green" technologies.

The energy intensity of GDP by 2020 should be reduced by 40%. After the construction of facilities use 40% of the total primary energy consumption and 67% of electricity, not to

mention the 40% raw materials and 14% water. In order to achieve the goal set by the Government of the Russian Federation in the "Principles of State Policy of the Russian Federation in the field of environmental development for the period till 2030" (approved in April 2012) provides for an increase in the volume of construction of buildings and facilities that are certified in the system of voluntary environmental certification of real estate. In the last instructions of the Russian President instructed the Russian Government to submit proposals on the development and introduction of binding environmental requirements to objects of real estate, design, financing, construction and operation of which is financed by the federal budget [3].

An important direction of development of "green" technology is the utilization of industrial and domestic waste. Experts say that in Russia annually produces 250 million tons of waste, the scientists point to another figure, more than 3.5 billion tonnes of waste, including 35-40 million tons of municipal solid waste (MSW), which indicates the severity of facing the country Problems.

54% of waste up the waste production of fuel and energy resources (in most – coal), 17% are waste products from the activities of non-ferrous metallurgy – 17% black, 12 all the others, including household. It is extremely important deep processing of resources used, for sorting and processing undergoes less than 10 percent of waste, there are 10 processing plants, waste sorting systems 37 and 8 of incineration plants. In

2010, there were 7518 waste disposal landfills, where 1699 solid waste landfills, 576 industrial and 5243 illegal dumps (data of Federal Service for Supervision of Natural Resources).

The satisfaction of social needs for resources and useful properties of forests leads to the need for an effective instrument of government forest complex. A unique on the world scale resource and ecological potential of forest Russia, determine the need for the preservation of environmental capacity and protective functions of forests.

Concerns about environmental problems and resource security called in the second half of the twentieth century, the need to pay special attention to water safety as an essential factor in ensuring the quality of human life. Stressing that Russia has huge resources of fresh water and has significant advantages in the production and consumption of water-intensive products, it is necessary to develop a fundamentally new approach to the conservation of this resource, and to consolidate the state and public structures, combining the state and business, science and technology on a national scale for special studies for the development of scientific and technical bases of water management modernization, improvement of water management complex of the country.

Despite what has already gained some experience in the development of "green economy", the most important and logically necessary to study the issues of Sustainable agriculture as an effective and coherent transition to organic farming and production of environmentally friendly products (eco-products) in the world on the basis

of optimal diversification of agricultural industry structure, its economy and the formation of individual "green portfolio".

Note, that the production of organic food is a priority of the world centers of scientific and technological development, today the formation of new global markets on the basis of environmental, resource, as well as modern infrastructure technologies, due to which the developed countries will be able to support its exports, the annual turnover of environmentally friendly products is from 1.4 to 3 trillion Euro.

Positioning of Russia as a country with good and pure land for production of raw food, rich in

genetic resources, a good ecological environment in many agricultural regions, will help to create a favorable investment climate in the sectors such as organic farming, the production of environmentally friendly products, the development of environmental, agricultural and gastronomic tourism, service and restaurant sectors [4].

Thus, the transition to "green" economy is possible only when addressing the efficient use of natural resources and improving the well-being of Russian citizens through the diversification of the economy and creating new jobs, stimulating innovation and the development of innovative sectors of the economy.

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## **THE CURRENT ECONOMIC STATUS OF COMMODITY PRODUCTION IN PERM KRAI**

**Abstract:** in the article, the current economic status in Russian is briefly viewed; the factors restraining the growth of Russian economy are defined. The analysis of current status of commodity support in Russia is made and the self-sufficiency lack of commodity production is concluded. The analysis of self-sufficiency of commodity production in Perm krai is made. It is revealed that at the end of 2014 at the expense of intraregional production, the need of only potato and egg products is completely closed. The main factors influencing the development of AIC (agroindustrial complex) of Perm krai and their relationships are defined. Factors, influencing the development of AIC of Perm krai should be divided into internal and external. Internal factors – factors that have a direct influence on production volumes of agricultural products. To external factors, in our view, should be related those which directly or indirectly through its impact on internal factors influence the results of production of agricultural products and staple. These factors are fundamental in the development of Russian AIC and AIC in Perm krai. The totality of the relationship of all above mentioned factors is illustrated. The conclusion of the need for a comprehensive approach to the development of the entire AIC of krai is made.

**Keywords:** economy of krai with commodity production, commodity production support, the need of agroindustrial complex in krai, self-sufficiency of commodity production

The country's commodity security is one of the main criteria which is necessary for implementation of the law of the country to independence from external control and support of state sovereignty.

Today the Russian economy is experiencing a number of difficulties in development of the national economy, which is experiencing difficulties in both manufacturing and non-manufacturing sector due to the historical developments, dependence on energy oriented export

etc [14, 20]. Negative impact on Russian economy is also influenced by sanctions imposed by Western countries and the retaliatory sanctions imposed against these countries. Negative impact and the main impact in the medium and long term will be affected the severance of economic relations with Turkey, that played an important role in the economies of both countries.

A negative factor affecting the domestic economic status in Russia is also a strong drawdown and volatility of oil prices, sales revenue, which

now is making up a considerable part of the revenue side of the budget [13, 17].

However, along with the negative consequences associated with internal problems of Russian economy and the sanctions, in the current situation the domestic manufacturer has a number of preconditions for the development of the national economy, including opportunities for import substitution program of implementa-

tion of commodity security which on the territory of Russia as a whole and regions in particular, there are serious problems which undermine the basis for ensuring of commodity safety [22, 24].

So, today Russia fully provides itself with grain, potatoes and vegetables, almost fully established the supply of eggs and egg products (table 1) [1].

Table 1

**Russian provision with the main types of agricultural production  
in the period of 1990-2014 (without any types of losses)**

| Years                                 | 1990   | 2000   | 2005   | 2010  | 2011   | 2012   | 2013   | 2014   | 2014 to 1990 p.c. |
|---------------------------------------|--------|--------|--------|-------|--------|--------|--------|--------|-------------------|
| <b>Grain, mntpa</b>                   |        |        |        |       |        |        |        |        |                   |
| Production                            | 116,7  | 65,4   | 77,8   | 61    | 94,2   | 70,9   | 92,4   | 105,3  | 90,23             |
| Consumption                           | 125,2  | 62,9   | 66     | 64,3  | 68,3   | 64,3   | 64,5   | 67,5   | 53,91             |
|                                       | 93,21  | 103,97 | 117,88 | 94,87 | 137,92 | 110,26 | 143,26 | 156,00 |                   |
| <b>Potato, mntpa</b>                  |        |        |        |       |        |        |        |        |                   |
| Production                            | 30848  | 29465  | 28117  | 21141 | 32681  | 29533  | 30184  | 31502  | 102,12            |
| Consumption                           | 29858  | 28701  | 26879  | 26547 | 27463  | 28552  | 28383  | 29095  | 97,44             |
| Production to consumption, p.c.       | 103,32 | 102,66 | 104,61 | 79,64 | 119,00 | 103,44 | 106,35 | 108,27 |                   |
| <b>Vegetables and gourds, ths. t.</b> |        |        |        |       |        |        |        |        |                   |
| Production                            | 11444  | 11359  | 12098  | 13278 | 16270  | 16079  | 16109  | 16885  | 147,54            |
| Consumption                           | 13920  | 12879  | 13876  | 16088 | 16982  | 17575  | 17708  | 18172  | 130,55            |
| Production to consumption, p.c.       | 82,21  | 88,20  | 87,19  | 82,53 | 95,81  | 91,49  | 90,97  | 92,92  |                   |

Continued table 1

| <b>Meat and meat products, ths. t.</b>  |       |       |       |       |       |       |       |       |       |
|---|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| Production                              | 10112 | 4446  | 4972  | 7167  | 7520  | 8090  | 8545  | 9070  | 89,70 |
| Consumption                             | 11444 | 6621  | 7925  | 9908  | 10145 | 10620 | 10863 | 10932 | 95,53 |
| Production to consumption, p.c.         | 88,36 | 67,15 | 62,74 | 72,34 | 74,13 | 76,18 | 78,66 | 82,97 |       |
| <b>Milk and dairy products, ths. t.</b> |       |       |       |       |       |       |       |       |       |
| Production                              | 55716 | 32259 | 30826 | 31847 | 31646 | 31756 | 30529 | 30791 | 55,26 |
| Consumption                             | 64547 | 36552 | 37347 | 39508 | 38811 | 39561 | 39375 | 39143 | 60,64 |
| Production to consumption, p.c.         | 86,32 | 88,26 | 82,54 | 80,61 | 81,54 | 80,27 | 77,53 | 78,66 |       |
| <b>Eggs products, mln items</b>         |       |       |       |       |       |       |       |       |       |
| Production                              | 47470 | 34085 | 37091 | 40600 | 41113 | 42033 | 41286 | 41859 | 88,18 |
| Consumption                             | 48815 | 34925 | 37531 | 41213 | 41835 | 42637 | 42036 | 42809 | 87,70 |
| Production to consumption, p.c.         | 97,24 | 97,59 | 98,83 | 98,51 | 98,27 | 98,58 | 98,22 | 97,78 |       |

According to the table, we can conclude that at the present stage of development of Russian agriculture in mostly consolidated groups cannot completely provide population of the country with commodity.

According to the results of 2014 y. only at the aggregate group of potatoe production and other vegetables the level of 1990 y. was surpassed. However, only the consumption of vegetables exceeded the level of vegetable consumption compared with 1990 by 30.55 p.c.

In accordance with the Doctrine of commodity security of Russia on the territory of the country not less than 95% of grain, 80% of

sugar, 80%. of oil, 85% of meat, 90% of milk and dairy products, 80% of fish and fish products, 95% of potatoes, 85% of edible salt must be made [19, 21]. Based on table 2 we can make a conclusion that now firstly the production of milk and dairy products, meat and meat products does not require the commodity security of the country [12]. It should be noted that in 2014 for the first time it is observed the relationship of dairy products production in relation to consumption, which, however, caused both by a small increase in physical volume of production and a slight reduction in the consumption of milk and dairy products in the country [10, 15]. We

should mention the fact that the obtained relations do not take into account the losses during production, storage and realization of products,

therefore, the balance of production and consumption would be somehow different.

Table 2

**Russian provision with the main types of agricultural production  
in the period of 1990-2000-2014 г. (without any loses)**

| Years                                  | 2000  | 2005  | 2009   | 2010  | 2011   | 2012   | 2013   | 2014   | 2013<br>to<br>1990<br>p.c. |
|--|-------|-------|--------|-------|--------|--------|--------|--------|----------------------------|
| <b>Grain, mntpa</b>                    |       |       |        |       |        |        |        |        |                            |
| Production                             | 563,7 | 465,8 | 450,7  | 330,8 | 444,2  | 321,6  | 274,7  | 364,7  | 64,7                       |
| Consumption                            | н/д   | н/д   | н/д    | н/д   | н/д    | н/д    | н/д    | н/д    |                            |
| Production to<br>consumption,<br>p.c.  | н/д   | н/д   | н/д    | н/д   | н/д    | н/д    | н/д    | н/д    |                            |
| <b>Potato, mntpa</b>                   |       |       |        |       |        |        |        |        |                            |
| Production                             | 583,4 | 387,7 | 673    | 386,8 | 670,8  | 610,3  | 553,2  | 541,7  | 92,85                      |
| Consumption                            | 660,3 | 450   | 480,4  | 478,1 | 490,3  | 547,2  | 548,3  | 518    | 78,45                      |
| Production to<br>consumption,<br>p.c.  | 88,35 | 86,16 | 140,09 | 80,90 | 136,81 | 111,53 | 100,89 | 104,58 |                            |
| <b>Vegetables and gourds, ths.t.</b>   |       |       |        |       |        |        |        |        |                            |
| Production                             | 336,8 | 193,5 | 177,3  | 177   | 234,4  | 226,6  | 236,4  | 227,3  | 67,49                      |
| Consumption                            | 360,4 | 298,3 | 302,9  | 291,2 | 302,2  | 301,2  | 304,9  | 293,8  | 81,52                      |
| Production to<br>consumption,<br>p.c.  | 93,45 | 64,87 | 58,53  | 60,78 | 77,56  | 75,23  | 77,53  | 77,37  |                            |
| <b>Meat and meat products, ths. t.</b> |       |       |        |       |        |        |        |        |                            |
| Production                             | 98,4  | 85,1  | 77,3   | 80,5  | 81,1   | 78,2   | 75,7   | 77,4   | 78,66                      |
| Consumption                            | 138,8 | 142,1 | 153,3  | 154,9 | 157,8  | 159,9  | 162,6  | 162    | 116,71                     |
| Production to<br>consumption,<br>p.c.  | 70,89 | 59,89 | 50,42  | 51,97 | 51,39  | 48,91  | 46,56  | 47,78  |                            |

Continued table 2

| <b>Milk and dairy products, ths. t.</b> |        |        |        |        |        |        |        |        |        |
|---|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| Production                              | 625,4  | 525,4  | 479    | 476    | 480,7  | 484,9  | 460,9  | 472,3  | 75,52  |
| Consumption                             | 726,7  | 711,3  | 681    | 672    | 671,4  | 680    | 669,6  | 672,1  | 92,49  |
| Production to consumption, p.c.         | 86,06  | 73,86  | 70,34  | 70,83  | 71,60  | 71,31  | 68,83  | 70,27  |        |
| <b>Eggs and egg products, mln items</b> |        |        |        |        |        |        |        |        |        |
| Production                              | 911,2  | 980,3  | 766,2  | 890,1  | 977,5  | 1001   | 915,3  | 1001,3 | 109,89 |
| Consumption                             | 803,2  | 714,6  | 757,4  | 755,1  | 756,2  | 759,7  | 748,7  | 751,5  | 93,56  |
| Production to consumption, p.c.         | 113,45 | 137,18 | 101,16 | 117,88 | 129,26 | 131,76 | 122,25 | 133,24 |        |

In comparison with national trends in AIC of Perm krai has its own characteristics of development, it should be noted that a holistic picture of the food economy and population of krai reflects the national picture of agricultural development of the country [19]. These studies of supportability of Perm krai with the main agricultural products are presented in table 2 [2].

Based on data from Appendix 2, we can conclude that the majority of consolidated groups of food agriculture of Perm krai did not reach the level of production of 1990 [23]. The exception is the group of eggs and egg products, the production of which in 2014 exceeded the level of production of 1990 by 9.89 p.c.

The situation with the production of grain and grain products in the territory of Perm krai is really difficult, because at the end of 2014 it was 64.7 p.c. from the level of 1990 y [25]. The main

factors influencing the production of grain and grain products on the territory of Perm Krai are:

- General tendency to reduction of crop areas on the territory of the Perm krai (figure 1) [2];
- Tendency to reduction of grain crop areas on the territory of Perm krai (figure 1) [2];
- Yield of grain crops;
- Weather conditions during the cultivation of crops;
- Infrastructure for processing and storage of grain after threshing;
- Sufficient provision of equipment for land processing and cultivation of grain;
- Transport infrastructure etc.

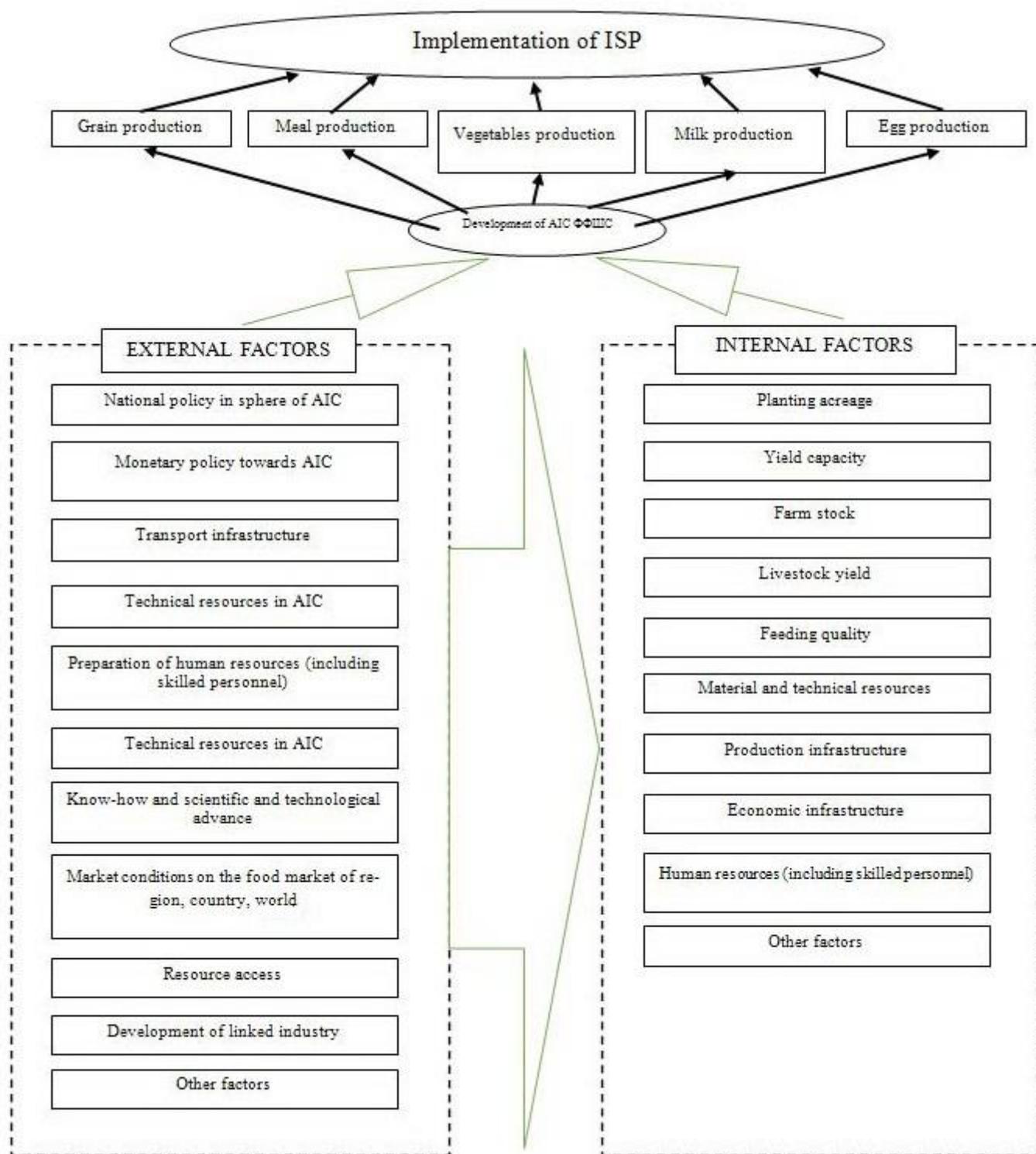


Figure 1. Factors, influencing the development of AIC in Perm krai and the implementation of the program of import substitution of food

From figure 1 it can be concluded that there is a general tendency to reduction of the acreage areas on the territory of Perm krai. It should be

noted that the acreage of industrial crops is growing, mainly due to oil crops [9, 11].

The average yield of grain crops on the territory of Perm Krai has increased from 9.8 cwt/ha

in 2000 to 16 cwt/ha in 2014, that positively influenced the total amount of collected grain. However, the factor of reduction of the area of grain crops had a greater influence on the overall gross yield of grain and received grain products.

On the territory of Perm krai there is a self-sufficiency problem in vegetables of internal regional food market. On the basis of table 2 it can be concluded that there is a tendency to the stability of the relationship of production to consumption on the territory of Perm krai, but nowadays the vegetables provision of the domestic market remains insufficient [21].

Analysis of yield of vegetables on the territory of Perm krai can not give an unambiguous estimate of yield growth, as since over the 2000-2014 years a variable trend in the level of productivity is observed that, in our opinion, primarily connected with weather conditions and technologies of cultivation and processing, and also

with the condition of transport infrastructure and infrastructure of storage and processing of vegetable products [8].

The difficult situation in AIC of Perm krai is observed in regard to "production/consumption" at the category of meat and meat products, milk and dairy products. For meat and milk production in Perm krai, primarily affects:

1. The number of cattle, pigs, poultry, sheep, goats;
2. The productivity of cattle, pigs, poultry, sheep, goats;
3. The production of livestock and poultry for slaughter;
4. The specific milk yield per 1 cow, etc.;
5. The reproduction of cows, pigs, sheep, goats, chickens, etc.

Table 3

**Livestock of the main types of animals in the farms  
of Perm krai in 2000-2014, thousand heads**

| Years        | 2000  | 2005   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2014 to 2000<br>of p.c. |
|--------------|-------|--------|--------|--------|--------|--------|--------|--------|-------------------------|
| Cattle       | 467,8 | 352,4  | 280,5  | 263,5  | 263,7  | 261    | 254,1  | 246,9  | 52,78                   |
| Cows         | 212,5 | 146,3  | 114,7  | 108,8  | 109,9  | 107,6  | 104,7  | 103    | 48,47                   |
| Pigs         | 281,2 | 231,8  | 211,8  | 206    | 205,7  | 211,3  | 204    | 195,6  | 69,56                   |
| Sheep, goats | 138   | 91,8   | 70,5   | 75,2   | 77,9   | 79,5   | 80,7   | 81,8   | 59,28                   |
| Sheep        | 97,1  | 62     | 48,3   | 55     | 57,2   | 59,5   | 60,1   | 61,2   | 63,03                   |
| Poultry      | 7422  | 6824,3 | 5870,4 | 6614,7 | 6746,4 | 6635,9 | 7025,8 | 7421,9 | 100,00                  |

Based on the data of table 3 it can be concluded that in the farms of Perm krai, a positive tendency in the growth of milk yield on 1 cow

(almost in 2 times) is observed, the weight gain of cattle is increased on 57,53 p. c. compared to 2000. It should be noted that the positive effect

of the growth in the productivity of cattle is offset by the reduction of its population, including the reducing number of cows more than in 2

times during the period from 2000 to 2014, when this tendency of reducing the number of cattle is being observed throughout the period.

Table 4

**Livestock of the main types of animals in the farms  
of Perm krai in 2000-2014, thousand heads**

| Years        | 2000  | 2005   | 2009   | 2010   | 2011   | 2012   | 2013   | 2014   | 2014 to<br>2000 of p.c. |
|--------------|-------|--------|--------|--------|--------|--------|--------|--------|-------------------------|
| Cattle       | 467,8 | 352,4  | 280,5  | 263,5  | 263,7  | 261    | 254,1  | 246,9  | 52,78                   |
| Cows         | 212,5 | 146,3  | 114,7  | 108,8  | 109,9  | 107,6  | 104,7  | 103    | 48,47                   |
| Pig          | 281,2 | 231,8  | 211,8  | 206    | 205,7  | 211,3  | 204    | 195,6  | 69,56                   |
| Sheep, goats | 138   | 91,8   | 70,5   | 75,2   | 77,9   | 79,5   | 80,7   | 81,8   | 59,28                   |
| Sheep        | 97,1  | 62     | 48,3   | 55     | 57,2   | 59,5   | 60,1   | 61,2   | 63,03                   |
| Poultry      | 7422  | 6824,3 | 5870,4 | 6614,7 | 6746,4 | 6635,9 | 7025,8 | 7421,9 | 100,00                  |

The overall tendency in the reduction of population is observed in the production of pork table 4, it should be noted that the reduction of the number of pigs does not compensated by the productivity of growing pigs, that leads to a reduction of pork production in the farms of Perm krai.

Positive thing is the fact that nowadays the poultry farmers are able to provide Perm Krai with egg and egg products and also with the production of chicken meat [4]. This is due to, primarily, the fact that for the production of chicken meat and egg production the cycle takes significantly less time than for the production of meat of cattle, pigs, milk and dairy products, also because of the lack of competition from these food groups of goods on the regional market [3]. A positive role is also played the food counter-sanctions against Western countries that contributed to the saturation of the market with domes-

tic food. In the short term, the production of chicken meat can be substitute of imported meat on the domestic market.

Based on the analysis of the regional food market it is possible to identify the main factors that affect the development of AIC of Perm krai, thereby promoting or slowing the import substitution of food products on the territory of Perm Krai [5].

Factors, influencing the development of AIC of Perm krai should be divided into internal and external. Internal factors – factors that have a direct influence on production volumes of agricultural products [6]. To the main internal factors influencing the implementation of the strategy of agricultural development in order to implement the import substitution program should be related:

- planting acreage i.e. for crop products;
- yield capacity;

- availability of material-technical base;
- the number of cattle, pigs, sheep, goats, chickens, etc.;
- livestock etc.;
- feed quality;
- production infrastructure;
- economic infrastructure, etc.

To external factors, in our view, should be related those which directly or indirectly through its impact on internal factors influence the results of production of agricultural products and staple [18]. To the external factors should be related:

- national policy in the sphere of AIC;
- monetary policy towards AIC;
- transport infrastructure;
- technical resources of AIC;
- scientific and technical advance;
- security with human resources, including skilled personnel;
- market conditions on the food market of region, country, world, etc.;
- the development of related industries;
- access to natural resources necessary for production (land, pastures, water, etc.).

The totality of the relationship of all above mentioned factors is illustrated in figure 1.

In the territory of the region the system of regulatory legal acts functions determining the main directions of development of agricultural production and regulating the basic principles of interaction between the state, public authorities and producers of agricultural products. Regulatory legal acts are united in one general program according to the order of the Government of Perm region of the 3rd of October, 2013 №1320-

p "About the approval of the state program "Development of agriculture and sustainable development of rural territories in Perm region".

Within this program the following subprogrammes of development of the separate directions of production of agricultural products are approved:

1. Development of subindustry of crop production, conversion and sales of products of crop production;
2. Development of subsector of livestock production, processing and sales of products of livestock production;
3. Support of small farms;
4. Technical and technological modernization, innovative development;
5. Development of personnel potential, information and organizational maintenance of development of branch;
6. Ensuring veterinary wellbeing in the territory of Perm region;
7. Sustainable development of rural territories;
8. Ensuring implementation of the state program.

Proceeding from structure of subprogrammes it is possible to draw primary conclusion on that, in general the state program of development of rural territories covers all directions of development, including development of crop production, livestock production, support of small farms in the form of personal subsidiary economy, peasant farm and others, modernization of the existing material and technical resources, ensuring personnel base for development of agro-

industrial complex of Perm region, ensuring sustainable development of rural territories and others.

The program also defines the main stages of its realization, volumes and sources of financing of the Program during its realization, target indicators, which are planned to be reached both following the results of the program in general, and by years of realization in particular. So, the following results are planned:

- to reach increase in labor productivity level in the agricultural organizations from 644 thousand rubles/year in 2013 to 1214 thousand roubles in 2020;

- to attract not less than 4 large investors from among large Russian and world leaders in the sphere of seed farming, breeding business, production and processing of crop and livestock production;

- to increase a share of production of agricultural production of local production in population expenses on food from 11.5% in 2013 to 14,3% in 2020;

- to increase a share of the effective agricultural organizations to 90% of total of the agricultural organizations in Perm region;

- preservation of level of profitability in branch not less than 9%;

- growth of level of the average monthly salary in branch from 11,9 thousand roubles in 2013 to 18,5 thousand roubles in 2020;

- to increase in volume of tax revenues from agrarian branch of edge from 1921 million roubles in 2013 to 3243 million roubles in 2020;

- improvement of domestic conditions in rural areas.

Proceeding from the declared purposes it is possible to draw some conclusions on the prospects of development of agricultural production for the period till 2020 and to define reference points by means of which increasing in production of agricultural production and development of rural territories in general is possible. For this purpose we will consider some purposes declared by the Program in more detail.

Involvement of large investors has to bring a large number of the positive moments in agrarian and industrial complex of Perm region. First of all it is attraction of financial sources which are aimed at the development of production of agricultural production in agrarian and industrial complex of Perm region, at development of the accompanying infrastructure providing increase in labor productivity, improvement of domestic conditions in rural territories, development of transport infrastructure, improvement of quality of life of the country of people directly or indirectly occupied in production of agricultural production. Involvement of large investors in agrarian and industrial complex of Perm region has the prime purpose attraction of investments however within the Program it isn't stipulated by what criteria it is possible to estimate a contribution of large investors by what criteria it is possible to determine whether this investor is a large and strategic investor in an agrarian complex of Perm region.

Besides, volumes of investments of large investors in agrarian and industrial complex of

Perm Krai aren't determined that can complicate further assessment of a contribution of each investor to development of agrarian and industrial complex in general in the presence of investments of individuals into agriculture of Perm region.

Besides, lack of requirements for the volumes of investment allows to declare a large number of investors as large investors that in general can distort results of implementation of the Program, as a result of it the Program actually won't answer the declared purpose after 2020.

The volume of investments of investors in agrarian and industrial complex of Perm Krai is inseparably linked with profitability of production of agricultural production.

In conditions when the financial markets are perspective for investment into securities, and large investments into deposits into the bank sphere yield high revenue, preservation of level of profitability of production of agricultural production in agrarian and industrial complex of Perm region at the level of 9% that is declared in the Program, is a negative factor for attraction of investments into agrarian and industrial complex of edge as such level of profitability and the existing higher cost of the loan capital means impossibility of implementation of simple reproduction for producers of agricultural production.

Besides, the cyclic nature of activity in agriculture (especially in branch of crop production and allied industries) demands higher profitability for implementation and maintenance of the current operating activities as money from product sales arrives unevenly.

To attract large investors to development of agricultural territories of risk agriculture, it is necessary to provide preferential terms for implementation of activity, development of infrastructure besides the acceptable profitability level.

Within the Program it isn't defined what volumes of investment need to be carried out in agrarian and industrial complex of edge to recognize the investor large and how the investor can carry out activity on favourable terms.

It is possible to draw a conclusion that in that case joint financing and subsidizing of activity of large investors is carried out under general conditions that also limits interest in large investments from private investors into agrarian and industrial complex of Perm Region.

Along with investments into production of agricultural production it is necessary to carry out investments in transport infrastructure, in development of cultural and leisure activity in the village, in improvement of domestic conditions of peasants, in increase in the general level of quality of life of country people.

The program declares improvement of quality of domestic conditions in rural areas as one of the purposes, but doesn't contain the concrete, accurately issued requirements for increase in the standard of living of the population.

It can cause formal aspiration to increase in level of domestic conditions without real increase in level of quality of social infrastructure that also forces country people to look for more suitable place for accommodation, mainly in the

city area therefore population shift from rural areas will only amplify.

Development of personnel potential for branch and sustainable development of rural territories is inseparably linked with increase in level of social infrastructure, development of cultural and leisure activity. At the moment in agrarian and industrial complex of Perm region rapid aging of personnel is observed, average age of workers on subsectors increases, and reduction of total number of the workers occupied in production of agriculture is observed. The situation is caused by the fact that violation of communications between branch of training for agriculture including with the higher education, and further employment of the prepared shots in agriculture is observed. Taking into account the level of the salary, development of infrastructure, employment of the population, lack of effective programs of adaptation of employees and other factors the lesser number of the trained people seeks to work in the agricultural organizations therefore the negative gain of number of employees in the agricultural organizations is observed that causes staff deficit.

The main most sensitive issue which concerns development of agricultural territories of Perm region, and involvement of additional employees in branch of production and processing of agricultural products is the average salary of employees. The purpose declared in the program for an exit to the level of the average salary of workers of agriculture of 18500 roubles in 2020 is extremely underestimated and incomparable to consumer prices of the main consumer goods in

the current prices of 2016. For example, the average salary in Perm Krai in 2015 was 28528 roubles. The target wage level in agriculture in 2020 is non-competitive in relation to the salary in other sectors and branches of the national economy therefore agriculture appears extremely unattractive place of work for new employees.

Separate subject, the most important at the present stage of development of agro-industrial complex of Perm region, is promoting of employment in agriculture and formation of an image of prestigiousness of the professions connected with work in agro-industrial complex of Perm region. The settled stereotype that agriculture is backward branch with badly developed infrastructure with the unsatisfactory number of the new equipment and outdated technologies of processing should be changed on the basis of carrying out the information companies showing prestige of participation in production of agricultural production. Perhaps emphasis should be put on positioning of subject popular nowadays about development of environmentally pure territories. It can promote attraction of new shots in agro-industrial complex, to formation of a positive image of the person who is engaged in production and processing of agricultural production.

One of the important directions in development of agricultural production and processing of production which is directly not reflected in the Program is reduction of intermediary network in the course of redistribution and sales of products of agriculture. Today the situation looks such that primary purchase prices of agricultural

production and the final prices at which the consumer buys final consumption products strongly differ, sometimes in several times. As a result in the course of existence of such chains there is an assignment of the most part of the marginal income by intermediaries who participate neither in production, nor in final realization of a product. It complicates conducting agricultural activity by the organizations; it doesn't allow carrying out not only expanded, but also simple production, to raise salaries to personnel that finally quite often leads to loss of financial stability and bankruptcy. It is necessary to study carefully chains of transfer of agricultural production from the producer to the consumer, to define "excess links" in such chains, to develop the mechanism of interaction between suppliers of agricultural raw materials and processors, between processors and that who sells products to the end user. It is also necessary to consider the possibility of cooperation of the agricultural enterprises in the course of primary sale of agricultural raw materials, processing and product sales for the purpose of reduction of losses and increase in profitability of agricultural production at all stages.

Preceding from the analysed information on the state program "Development of agriculture and sustainable development of rural territories in Perm region" it is possible to draw a conclusion that the program has as well worked provisions, and provisions demanding further adjustment. In particular, the provisions demanding additional information study and formation of new vision, these provisions affect development of infrastructure and they are connected with

production of agricultural production. Besides, paragraphs of provisions mentioning the sizes and forms of compensation for the staff of agro-industrial complex and the organizations of cultural and leisure activity demand additional study too.

The following events as the additional analysis of studying of chains of passing of production from producer of agricultural raw materials to his processor, transfer of finished goods from the processor for final realization, studying of forms and methods of interaction of the state and private companies, will allow to reduce costs for production and realization of agricultural production, will increase profitability of activity of producers of raw materials and processors of production that will promote development of cooperation between the agricultural enterprises for the purpose of increase in profitability of conducting activity and reduction of terms of turnover of the capital.

Thus, based on the analysis of the factors, their interrelation and influence on each other, we can conclude that to solve the problem of import substitution of food products a complex of measures aimed both at the extensive and intensive growth of agricultural production should be applied [7]. It should be noted the fact that the main role in the growth of agricultural production and development of AIC as a whole should contribute, first and foremost, the state support of AIC together with favourable monetary policy. These factors are fundamental in the development of Russian AIC and AIC in Perm krai.

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