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Селішчев А.С.

PROBLEMS OF RUSSIAN AGRARIAN FINANCIAL POLICY

Alexander S. Selishchev

Doctor of Economics, Professor, Head of Chair "Money and Securities"
Saint-Petersburg State University of economics and finance, Russia
Sadovaya Str., 21. 191023, St-Petersburg, Russia
Tel. (812)310 35 09; fax. (812) 560 42 89
www.selishchev-finec.ru ; selishchev@yandex.ru

Introduction

The main purpose of the paper is studying some aspects of Russian agrarian financial policy, first of all the role of the **Russian Agricultural Bank (RACB)** as a coordinator of national project: "Development of agriculture in Russia".

In Russia at the beginning of 1990th years expenditures on the foodstuffs were probably unique charges of overwhelming majority of the population of the country. Therefore a support of the domestic market on European manners (high price levels on articles of food and import duties) could not be practically carried out. The state has been compelled to wait some period of time with liberalization of the prices for the basic kinds of industrial goods, and also to establish low enough duties on import of agrarian production.

Today, when Russia already in an essential measure overcomes consequences of crisis 1990 year price policy the market component, rather than the state dictatorship is more and more felt. At the same time the prospect of the joining of Russia in WTO will demand from the state certain revision of the approach to the agrarian sector.

Some problems of Russian agrarian sector

Nowadays the aims of an agrarian policy of EU, the USA and Russia differ from each other essentially. In the Europe, proceeding from reasons of food safety, and also concerning relative low proportion of expenses on foodstuffs of Europeans, it was found admissible to take the internal prices for agrarian production up to a level of profitability comprehensible to local agrarian producers and to protect the home market from cheap import of agricultural products by protective duties. Thus, the price policy became one of the main tools of support of the agricultural market of the European countries. In due course, owing to this policy, the Europe has crossed a threshold of food self-sufficiency by the basic kinds of agricultural products and has turned from importer to the exporter in the world market. For this purpose the system of the export grants, called to compensate to exporters the difference between the internal and external prices has been introduced (Smolyaninov, 2005, 208).

At the beginning 1990-ies, having collided with discontent of the trading counterparts on behalf of states-participants of the world market of agricultural products, the EU country have been compelled to take measures on reduction of prices at the internal food market with the purpose of their approach to the world market. The given actions inevitably lead to reduction of income of local agrarian producers. Therefore the system of payments of the direct grants compensating reduction of prices has been developed for them. However after these changes in an agrarian policy of EU began to be exposed to the most severe criticism. By results of the Uruguay round of WTO has been reached the arrangement on carrying out of consecutive decrease in levels of import duties on agrarian production and the state grants for maintenance of agriculture.

The agrarian policy of the USA which have received a powerful impulse during the most severe economic crisis of 1929-1933, was caused, besides the other reasons, by disparity of prices for the industrial and agricultural goods, and as the main task of the state intervention this policy believed maintenance of incomes of farmers in view of overcoming crisis of overproduction and non-payments in an agriculture.

Development of an agrarian policy as a whole occurs similarly to the changes undertaken by EU, though only a difference, that in the USA already from the middle of 1980th years the course on liberalization with the aim of outlet of the American foodstuffs on the new markets has been proclaimed. In practice the real liberalization of the market not occurred, and the level of the state support of farmers continued to remain significant.

In Russia at the beginning of 1990th years expenditures on the foodstuffs were probably unique charges of overwhelming majority of the population of the country. At that time well-known satirist Michail Bulgakov expressed the situation: "All our salary leaves in a toilet bowl!". Therefore a support of the domestic market on European manners (high price levels on articles of food and import duties) could not be practically carried out. The state has been compelled to wait some period of time with liberalization of the prices for the basic kinds of industrial goods, and also to establish low enough duties on import of agrarian production.

As a whole if the agrarian policy in EU and the USA is established within the limits of policy of food security.

a preventive maintenance on a case of approach of "rainy days" the agrarian policy of Russia of 1990th year be perceived as reaction to *real* "rainy days". Therefore maintenance of the food prices frequently went to the benefit of interests of domestic agrarian manufacturers, but allowed to survive to the population of the country.

Today, when Russia already in an essential measure overcomes consequences of crisis 1990 year price policy the market component, rather than the state dictatorship is more and more felt. At the same time prospect of the joining of Russia in WTO will demand from the state certain revision of the approach to the sector.

The financial policy renders essential influence on development of an agriculture which by virtue of industrial environment cannot do without the state support. Despite of the liberal policy of WTO, budgetary financing is widely used practically worldwide, and in many countries – even in escalating volumes. An opposite tendency observed last years in Russia. So, the share of charges in agriculture in volume of budgetary charges of all levels decreased from 15 % in 1990 up to less than 2 % in 2006.

Forms of the state support can be various. Besides traditional grants, price and percentage indemnities and grants, the state participation in development of agrarian sector can act in the form of tax privileges, participation in target programs of development of the separate enterprises and regions.

In circles of the Russian economists there are no disputes concerning necessity and expediency of the state participation in agrarian economy (Smolyaninov, 2004, 51). Discrepancy of opinions is observed, basically, concerning a degree of participation of the state in financial maintenance of this branch, and also expedient directions and forms of such participation and their evolution in process of strengthening market economy in Russia.

1) Some researchers consider that the main task of the state is liquidation of disparity of the prices of agricultural and an industrial output (Lishansky, Maslova, 1999, 131). These scientists believe, what even the full cancellation of taxes does not compensate damage from disparity of the prices, which almost in 8 times above obligations of rural producers. Therefore, in their opinion, first of all is necessary the rigid state policy of the price regulation in the field of an agriculture.

2) Certain discussions are caused also about a role and a degree of participation of the state in maintenance of agrarian sector with long-term investments. Thus the majority of researchers are uniform in their opinion concerning basic necessity of participation of the state for financing investments of agricultural producers and coordination of the weighed investment policy of the state for a long period.

3) Some researchers insist on strengthening of a role of the state in regulation of investment activity. In this regard, that in conditions of market attitudes the state is obliged to render adjusting influence on investment process in the following ways:

- Maintenance of scientifically proved pricing;
- Carrying out of flexible credit, tax and depreciation policy;
- Expansion of opportunities of leasing;
- Stimulation of enterprise activity and granting of privileges to investors at privatization;
- Target state financing;
- Allocation of priority directions of investment;
- Drawing up plans of capital investments (Shpak, 1998, 37).

In 2005 in Russia four national projects, including development of domestic agriculture (agrarian and industrial complex) have been established.

In October, 2005 chairman of the government Michael Fradkov has held session of board of the Ministry of Agriculture on which the last of four national projects has been established: "Development of agriculture". On 2006-2007 the state will allocate 30,9 billion rubles for this project from which 9 billion will get to the **Russian Agricultural Bank (RACB)** as payments in the authorized capital. Priority development of cattle-breeding in the country and stimulation of private part-time farms have been named.

The necessity to develop cattle-breeding industries speaks that manufacture of cattle-breeding products constantly decreases - its share in agriculture was reduced since 1991 from 60 % up to 45 % in 2004. Besides, the share of production in this branch has reached 80 %. It was offered to correct a situation by means of long-term credits - to subsidize from the federal budget 2/3 interest rates under credits for the term of till 8 years for cattle-breeding farms having spent on it 3,4 billion rubles. Other measure – is sale of cows and pigs in leasing. For this purpose up to 10 % of the authorized capital of Open Society "Rosagroleasing" will be increased up to 8 billion rubles. Besides it is proposed to cancel the import customs duties on the cattle-breeding equipment which analogues in Russia are produced. The interest rate to private part-time farms under credits it decided to subsidize completely - 95 % due to federal budget and 5 % from regional means.

That it were more convenient to peasants to realize production, it has been decided to revive consumer cooperative societies. The executor of this program is RACB, whose authorized capital will be increased by 9,5 billion rubles due to budgetary funds. In view of the national project the share of subsidizing of agrarian and industrial complex in charges of the federal budget in 2006 has made nearby 1% in comparison from 27-30 % in the developed countries (Netreba, 2005, 2).

During the last two-three years greater hopes in the field of development of the Russian agriculture, first of all, on RACB. This bank is founded in March, 2000 by the decree of the president of Russia for creation of the basis of national credit and financial system of service of the enterprises of an agrarian and industrial complex. 100 % of shares of bank belong to the state. The Supervisory council of bank is headed by Minister of Agriculture Alexey Gordeyev. It is supposed, that during the nearest 2-3 years RACB will keep 100 %- participation in the state.

Business of RACB, which is a basic bank of the national project "Development of agriculture", is developing promptly. Per 2006 RACB bank has entered in ten of the largest banks by size of actives (236,3 billion rubles) taking the 9-th place. By the size of own capital (19,2 billion rubles) the bank takes the 12-th place, and the size of profit before payment of taxes (2,69 billion rubles) – the 21 place. According to "Interfax-CEA", RACB has given credits agricultural productions and farmers 156,6 billion rubles, from this sum to physical persons the bank has lent 20,8 billion rubles.

As early as in 2000 RACB was on the 475-th place among the Russian banks, and in 2007 - already on the 7-th. It is interesting that on 1-th January, 2007 transient credits at bank made 0,6 %, and at Credit Agricole - 0,2 %.

In 2006 RACB has borrowed to the agrarian enterprises and farmers 156,5 billion rubles from physical persons the bank has lent 20,8 billion rubles.

The work with agrarian sector has allowed the bank to earn not bad money: the profit in year 2006 made 2,7 billion rubles, and its dynamics has appeared the highest among 30 largest Russian banks - 331 % in comparison with year 2005. For years 2005-2006 the bank has increased in 8 times.

By the end of 2007 the credit portfolio of the bank will make 220 billion rubles. To give out such big credits and to execute the specification of sufficiency of the capital, monetary injections to bank are required. And bank receives them from the state. In July-August, 2007 the authorized capital of bank will increase for 5,7 billion rubles.

The banking in Russia, as well as in the Europe in many respects began with rural crediting. The same as Raiffeisen Bank in Austria and Credit Agricole in France in Russia played the Country land bank and National land bank.

During the years of the Soviet authority approximately 90 % of long-term credits directed to agriculture. In 1987 by reform of system of the State Bank 70% of its branches were transferred to Agroprombank. On territory of the USSR there was 35 thousand branches Agroprombank with 110 thousand employees. The credit portfolio of Agroprombank in 1990 has made \$700 billion.

In February, 1991 RACB is founded. At that moment the state possessed approximately 70 % of shares of RACB, and of 30 % were owned by others of 93 thousand agrarian producers. To hold annual assembly of shareholders in Moscow, the bank in the best democratic traditions convoked electors from areas with powers of 1000 shares from each shareholder. Thus from 1991 till 1995 the bank paid dividends - 250 % annually.

Up to the middle of 1990th years at RACB there were 60 % of a credit portfolio of all bank system of Russia, 1800 branches and 57 thousand employees.

In the spring of 1997 "The Capital Bank of Savings" (CBS) has got RACB and began to refer to "CBS-Agro". As a result of crisis of August, 1998 "CBS-Agro" has gone bankrupt and has passed under management of ARKO. By support from Mr. Gerashshenko in 2000 RACB was created anew which on 100% belonged to the state.

In March, 2006 in view of all branches, offices and operational cash departments RACB has 392 points of sales. Branches of bank worked in 70 regions of the country. Among 20 largest Russian banks more than 600 branches in the country had only Sberbank (20414). WTB had 558 points of sales.

Among private banks the biggest scope of territory has Rosbank (515 branches, offices and operational departments) and "Uralsib" (458) (Myazina, Nazarkin, 2006, B-5). At the beginning of 2007 RACB had about 400 branches, and at the end of 2007 their quantity should increase to 1500 (Proskurina, 2007, A-5).

If 3000 person lives in area it is considered a sufficient base for profitable work of RACB. In 3-4 months branches of new bank begin to make a profit. For creation of a branch of bank they usually lease a premise (1000 sq. m) and staff - 3-5 person. When other banks spend \$1 million for opening of office, to RACB suffice \$200 thousand.

On the basis of the concept of development of RACB which has been developed on the basis of the decision of the president of Russia, after 2010 the opportunity of sale up to it of 20 % of shares is stipulated. Nevertheless, in the foreseeable future, the control share holding of bank remains by the state.

RACB is the main operator of the national project on development of agrarian and industrial complex "Development of agriculture". In 2006 within the limits of this project bank has given out credits for the sum of 156,6 billion ruble only on development of personal part-time farms. In total in 2006 it was planned to give out 200 thousand credits, and in reality have given out 122 thousand. In 2007 it is expected to give out 200 thousand new credits. Total within the limits of the program is supposed to give out approximately 400 thousand credits.

In March, 2006 president Putin has met representatives of regional authorities. The president has expressed his opinion, that the rate of 16 % under credits of RACB to domestic agrarian business "is obviously overestimated". It is interesting to note, that already next day RACB has lowered rates of crediting from 16% to 14% (Vatagin, 2006, B-5).

2006, B-6).

Real cost of credit of RACB for 5 years for the agrarian producer is equal 2% per annum. The investment on modernization of machine park makes 10 %, and the state compensates 2/3 discount rates. In 2006 it has been given out 16 billion rubles of such credits - 6 times more, than 2005. In 2007 it will be given out 30 billion rubles. Besides, there are 15-years credits for purchase of habitation. There are eight-year credits for high school education for rural children provided that the person receives a trade of agricultural purpose, or studies as the teacher or the doctor. It is necessary to repay such credit since fifth or sixth year – this depends on term of training in school. And, if the graduate of high school comes back in village, his employer will repay the credit.

During 2006 the state has brought in authorized capital of RACB about 3,7 billion rubles, and the bank has given out within the limits of the national project about 128 thousand credits for 71 billion rubles. In total for 2006 it has been given out 186 thousand credits for the sum of 168 billion rubles, 10 times more, than in 2005. At the end of 2007 credit portfolio of RACB will reach 220 billion rubles (Rozhkov, 2007, B-6).

In 2006 RACB has increased volume of crediting in 3,5 times (from 45,6 billion rubles up to 155,6 billion rubles). Growth of credits to the population – from 797 million rubles up to 21,3 billion rubles (almost in 2006 it was especially impressing. Credits to the companies have increased in 3,1 times – from 44,8 billion rubles up to 138,6 billion rubles (Saidmursalov, 2007, B-3).

In 2005 the work with the population was unprofitable for RACB - a retail segment has yielded 602 million rubles. In 2006 the situation has changed sharply - on retail operations the bank has earned 265 million rubles. On the other hand, the triple growth of crediting in a corporate segment has not increased the profit of the bank. On the contrary, the work with companies (first of all these are agrarian producers which took 67 % of total rate loans by the end of 2006) has brought in year of 2006 on 4,4 % less – namely 625,7 million rubles. As a result the net profit of RACB has grown in 9,5 times – up to 853 million rubles.

Work of RACB renders beneficial effect on the development of the Russian agriculture in conditions of transition to market economy. However it is obviously insufficient for development of Russian agriculture. The long-term program which would provide the whole complex of the coordinated actions of a lot of branches of economy, science and financial institutions is necessary.

Conclusions and Summary

The research method used in this paper is a comparative analysis. The situation in Russian agrarian economy is very complicated. During Soviet period of its history it had completely lost its competitiveness, its institutional structure is completely broken; it had lost its best traditions and manpower. Years and decades are necessary to restore Russian agriculture and make it a flourishing part of economy. Now we do only our first awkward steps in this direction.

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