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## **VECTORS OF DEVELOPMENT OF AIC GOVERNMENT SUPPORT SYSTEM IN RF: ORGANIZATIONAL, LEGAL, ECONOMIC**

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### **Abstract**

The article deals with the measurement of reserves of optimization of government support modern system of Russian agro-industrial complex. The author considers the problem systematically: in organizational, legal and economic aspects. Both modern state of government support and historical aspect of its development in post-Soviet period are analyzed in the article.

**Keywords:** agro-industrial complex, government support, infrastructure, food security, competitiveness

### **1. Introduction**

For benchmarking assessment of the state of government support system of AIC in Russia and other countries it seems efficient to employ a methodology of monitoring system and estimation of government support in OECD countries (Agricultural policies and support Producer and Consumer Support Estimates database. Overview tables, 2016).

One of the most crucial figures of the methodology in question is a rate of support of agricultural producers in their aggregate income (Producer Support Estimate – PSE). As a rule, it is provided mostly at the expense of price transfers (at the consumers' expense), which share in total support to producers

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varies from 50 % to 70%. According to the total volume of support of producers Russia considerably gives ground to the developed countries of OECD. For example, in 2012 in Russia this figure was \$13 billion, in the USA - \$30billion, in Japan – \$65 billion.

Specified rate of producers' protection (Producer Nominal Protection Coefficient, NPC) is also important. It is calculated by comparison of domestic prices with near-border (world) prices. Excess over unity of these coefficients indicates that domestic producers sell products at higher than near-border prices. Reduction of these figures means that the gap between domestic and world prices is decreasing, and in a number of countries it has got equal to the world prices.

Taken course by WTO members to move to a more open trade, liberalization of prices explains a distinct trend of decreasing of a Producer Nominal Protection Coefficient (NPC). At first, it relates to such members of OECD that are exporters of food products. For instance, in the USA and EU in 2012 this figure fluctuated from 1,0 to 1,1. On the other hand, countries-importers with unsaturated domestic market and insufficiently competitive AIC assert an opportunity in WTO of increasing NPC. For instance, in Japan in 2012 the index NPC equaled to 2,1, in Korea – 2,1.

Russia is a country with an unsaturated market and insufficiently competitive AIC. But the value of NPC here is only 1.06. Such a low nominal price protection of domestic producers puts them in predicament.

Index NPC with the index PSE show a total amount of transfers from consumers and taxpayers to agricultural producers that are received through different measures of government support. It is worthwhile to say that in Russia up to the middle of the last decade the basic constituent influencing on the total volume of producers' support in the most serious way was support of market prices. This gives grounds to make a conclusion that the low level of support of agriculture in Russia during this period was caused not only by insufficient volumes of direct budget support, but mainly by the fact that the state didn't provide any support of market prices (Ivanova, Goncharov, 2012).

Taking into consideration that in countries with transformational economics the level of income of consumers and taxpayers is low, the state was unable to mobilize considerable transfers to producers through taken measures of the state support. This is one of the factors of low level of direct and indirect support of producers and correspondingly low level of indexes NPC and PSE in these countries.

The highest ratio in Russia in support of producers is transfers of consumers and a smaller part of this support is realized by means of direct forms of support as budget payments (Yazev, 2009). These transfers provide price support of producers at the cost of consumers who pay for such support by

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purchase of agricultural products and food products at domestic prices, exceeding the level of near-border (world) prices.

The disadvantage of the policy of producers' support at the expense of consumers in Russian conditions is that the most part of national consumers of food products in comparison with the developed countries OECD have a low level of income. The problem of economic availability of food products is getting strained due to the support of producers at the cost of consumers and exorbitant domestic prices in comparison with near-border (world) prices (Yazev, 2014).

In addition, in terms of imposing transfer gavel on consumers this form of support of producers restricts a volume of already low demand for food products, especially demand on the part of disadvantaged population (Gaysin, 2013).

Consequently, it is possible to make a conclusion that the employed form of AIC support mainly at the expense of consumers doesn't promote development of the branch, contrary it hinders economic growth and makes its stagnating state long-lasting. This policy is a policy of stimulating growth of food products import as a higher level of domestic prices in comparison with the world ones is a powerful stimulator of rising import flows of food products. (Gaysin, 2014).

Thus, in transformational economics of Russia steady mechanisms of support of producers, consumers and common object services in agriculture went sour. Support doesn't have a distinctly defined tendency of production efficiency upgrading, a balanced and coordinated support of producers and consumers of agricultural and food products.

Let us consider historical prerequisites of the current situation.

### **2. Historical prerequisites of the modern state of government support of RF AIC**

At the initial period of market reforms (1991-1997) federal center made a bid for privatization of land and property of the former collective farms and state owned farms having imposed a financial burden of reforms on the regions. Regionalization of agricultural policy led to introduction of administrative embargo on food export from the regions. As a consequence it caused the problems with actualization of Common Free Market Zone approach.

A financial crisis in August 1998 urged to reconsider the place, role and sphere of responsibility of federal authorities in agricultural policy. In the document "Principal directions of agro food production policy of the RF government for 2001-2010" for the first time since the beginning of the market research there was stated about the necessity of agricultural policy formation in the state on the unified conceptual framework.

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In 2001-2012 they were federal laws and statutory instruments, projects and programs that to a large extent determined a purposeful character and consistency of measures of AIC government support. Along with this subjects of RF (within their credentials and competences) got a required freedom of actions for elaborating their own measures of government support of AIC in the light of specific features and budget possibilities of the regions.

Within a framework "State program for 2008-2012" there was specified a direct subsidy assistance of 17 particular directions of production activity of Farm Machinery Center (FMC) (Priemko, 2012). Within a period of five years of carrying out a State program 487,5 billion rubles were directed to agro-industrial complex from the federal budget and 243 billion rubles from regional budgets. Financing of activities stipulated by the State program in the whole for all areas exceeded the target by 18,5%.

At the same time it should be noted that in the course of achieving the main figures of the State program only the plan of food security Doctrine was fulfilled (according to the index "share of Russian production in resources formation of meat and meat products" exceeded the target by 0,5%), and upon indication "available resources of household in rural area" – overfulfillment by 1,1%. The rest 10 indicative indexes of the State program remained unrealized (Lessons of five-year industrial plan, 2013).

For detailed characteristics of the current situations we will use the following figures: index of agricultural food production (%), index of labor production (%), purchase of farming equipment (thousands of items).

A completed analyses of production dynamic of agricultural products in households of all categories allows to make a conclusion that in average during the period 2008-2012 a factual index of output of agricultural products is by 4,9 percentage points lower a planned index. There is no a distinctive positive tendency of the index development.

There is no interrelation between the index of production of agricultural products and the volume of financing the Program from the federal budget. Partially negative results are explained by unfavorable weather conditions.

In terms of labor production index in the first instance it should be noted that the realization of the Program activities will promote its growth. However, in average during the period 2008-2012 the labor production index proved to be by 7.6 percentage points lower than the planned value.

There is practically no any dependence of the labor production index upon a volume of government support. Positive results were achieved only in the first and the forth years of the Program realization.

The third of the indexes being analyzed is material and technical facilities. During five years within the framework of the Program it was planned to provide subsidies for technical and technological modernization of

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agriculture for partial reimbursement on the payment of interest on the loan at 38,104 billion rubles, in fact it was provided 35,874 billion rubles (94,15%).

The dynamic analysis indicates a lack of positive tendency of the index development. The planned rates on purchasing agricultural machinery both in the whole and per 1 billion rubles of invested government funds were achieved only in 2008.

It was supposed that for the years of the Program realization in average per 1 billion rubles of invested government funds there would be purchased more than 4 thousand items of farming machinery, however in fact less than 3 thousand items were bought, that is 61% of the plan. All this testifies inefficient application of government funds, being employed in the system.

Thus, we can come to the conclusion about irrational spending of state funds directed on support of the branch and insufficient efficiency of the current system of AIC government support. Let us consider the key groups of factors of the current situation: legal, organizational and economic.

### **3. Legal vectors of improvement of the government support system of AIC in RF**

The core of the problems with legal platform of the government support system of AIC in RF can be specified in the following way – guidelines of the center are stated explicitly, but are being blurred in the regions – each subject is free to choose individually what to do. Let us consider this problem in a detailed way.

There is no a regulatory legal act at the federal level that should stipulate conditions of getting subsidies immediately by agricultural commodity producers (Yazev, Tihonov, Borovskih, 2015). At present this procedure including categories of persons – recipients of state support is defined by every region independently in an approved regulatory acts that frequently don't guarantee to agricultural commodity producers a right to get government support. RF subjects in their regulatory legal acts determine a scope of persons being included in the definition of agricultural commodity producer, considerably different from a federal-wide one: broadening or narrowing it. (Gleba, 2014).

In many regions conditions that should have been carried out for getting unconnected subsidies “tied” hands and feet of agrarians by various additional conditions and restrictions (Table 1).

Argumentativeness of the given conditions in the table is explained that despite a clear aspiration of regional authorities to upgrade budget financing efficiency they cut off a considerable part of recipients from access to subsidies, duplicate a collection of already existing statistical statement, create the ground for all kinds of its distortion and discriminating arrangements in case of insufficient means of meeting liabilities.

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Therefore in our opinion it would be advisable to join all directions of the budget financing of agriculture in every subject of the Russian Federation in a unified regional program of social and economic development of agriculture, having a long-term perspective, for example for a period until 2020. It is necessary for providing stable warranties to participants of the program activities for getting budget funds since many projects in agriculture have long terms of payback (Yazev, Tatochenko, Boeva, 2015).

In the Program should be distinctly specified issues of longevity of enumerated government support measures of agricultural commodity producers and also defined sources of financing in each of the above mentioned issues (support from federal budget, from budgets of the RF subjects and budgets of municipalities), that is there should be enumerated a three-level support system with specification of approximate amounts of budgeting from a regional budget for specific directions of support with a breakdown by years.

**Table 1. Debatable conditions of granting a one-hectare subsidies (Aleksandrova, Dolbilova, 2015)**

Conditions	Regions
Providing in the preceding year an average monthly payment of labor of a worker no less than a minimum wage, absence of overdue liabilities on payment of earnings and unpaid balance to the budget	Altai territory The Saratov Region
Interpretation of energy consumption and fuel costs, used while watering; reference about consumed fuel and power while watering; copies of payment documents, confirming acquiring of electric power and fuel; act of using chemicalization means on the form №420-AIC; copies of payment documents, invoices and bills of lading, confirming acquiring of mineral fertilizers; reference about average monthly payment of labor of a worker in the preceding year.	Altai territory
Absence of tax and charges liabilities, absence of liabilities on agreements of financial leasing, delivery of products to the regional commodity fund and repayment of a commodity loan in 1996.	The Orenburg Region
Sowing of cereal seeds with graded and seeding qualities, corresponding to the all-Union State Standard requirements, keeping area of the plough land at the level to a minimum of the previous year	The Omsk Region
Acts of agrochemical and ecological investigation, consolidated register on organic fertilizer treatment, interpretation of revenue according to a type of activity	Krasnodar Krai
Registration of the region territory; copies of documents, confirming actual acquiring and putting to the stock mineral fertilizers in the current year (agreements for delivery, invoices, bills of lading for acquiring and stocking), records and payment orders, certified by lending agencies	The Republic of Bashkortostan

#### **4. Organizational vectors of development of AIC government support system in RF**

We consider problem factors of organizational format as instruments of AIC government support and directions of its fulfillment as a priority. According to many researchers of this issue, one of the key problems of Russian AIC development is not so much low level of its support at the federal and regional levels as inefficient application of assignable funds (Frolova, 2011).

In particular, fixed assets of the federal budget are directed to partly compensate interest charges on obtained credits. Within the framework of “The State program for 2008-2012” it was provided a direct subsidy assistance, more than half of special-purpose budgetary resources was assigned for subsidizing

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an interest rate on credits and loans, obtained in commercial banks or credit cooperatives (Priemko, 2012). Moreover, the higher a rate on credit the bigger a government aid to agricultural producers allegedly is, however, in fact increasing assistance is profitable to money lenders but not to agricultural producers.

Slow improvement of efficiency of different forms of management is also connected with directing of the given funds on upgrading their work mainly on solution of organizational problems. For example, in most subjects of RF considerable part of funds supposed for the branch aid is directed on management purposes. In the whole in RF subjects about 30-50% of funds granted to support of agriculture is spent on keeping an apparatus of an area agricultural administration and governmental institutions. Thus, actual budget assistance to the branch is considerably lower than the official one (Frolova, 2011).

In our opinion, structural changes of ways of government support of Russian AIC are needed. More attention should be paid to interrelation of volumes of budget financing and efficiency of its objects, proliferation of purchasing intervention on different kinds of AIC products and so on.

### 5. Economic vectors of development of AIC government support system in RF

We consider economic factors of state of AIC government support as conditions of assigning funds and their volumes.

At first it is important to notice that in spite of mentioning in the beginning of the article overperformance of financing State program activities in 2008-2012 by 18,5% for all directions, national AIC is still financed insufficiently. In particular, one of the key innovations is one-hectare subsidy almost twice as less as the one of their “predecessors”. If in 2012 with due regard to all benefits (fuel, mineral fertilizer, subsidizing of short-term credits) subsidy for 1 hectare was about 500 rubles, whereas in 2014 its average level was a little more – 200 rub/hectare from federal funds, but with consideration of co-financing from regional budgets it grew to 282 rub/hectare (Table 2).

**Table 2. Factual and planned amounts of ‘one-hectare’ subsidies in Russia (Aleksandrova, Dolbilova, 2015)**

Size of subsidies	2013	2014	2015	2016	2017
From federal budget – total, billion rubles	25,2	14,44	14,73	22,1	31,83
On a per hectare basis, rub	344,4	206,3	210,4	315,5	454,7
From consolidated budgets of the RF subjects – total, billion rub.	156,5	5,34	5,6	7,33	8,84
On a per hectare basis, rub	76,00	76,35	80,00	104,70	126,40
From consolidated budgets of the RF subjects – total, billion rub.	30,52	19,78	20,33	29,42	40,67
On a per hectare basis, rub	500,9	282,6	290,4	420,2	581,0

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Many farmers are resentful that the allocated funds were enough only to buy 6-15l of diesel fuel per 1 hectare. Comparing the level of subsidizing in Russia with the world one (from 500 to \$1000), experts warn that if the nearest time the volume of subsidizing per 1 hectare of plough land is not at the very least comparable to the European one it is not worth talking about any intensive way of development. For providing technical modernization of plant growing government support should be at least 2-3 thousand rubles/hectare.

The given statistical data suggest that the rules of financial support of agriculture in RF are applied in terms of underfunding of its basic branches. As a result, the level of government addition of tangible cost of agricultural producers, being formed in branches of plant growing and cattle breeding is low. Figures of this level do not correspond to the norms specified for the countries – members of WTO. It is confirmed by the fact that in 2014 the share of the state expenditure in the structure of household costs for production of crop farming products in our country was 1,1% and for products of cattle farming was equal to 1,6%.

In terms of the World Trade Organization government regulation of agricultural area in RF should be adopted to requirements of universal formal rules. These imperatives determine perspectives of cooperation of bodies of authority and households, within the framework of which share of the state expenditure in the structure of household costs connected with the production of food products should approach to 5,0% (Gorlov, 2012).

In view of authorized requirements aggregative measure of support of Russian households specialized on crop farming production given chances in perspective rightfully should be increased 4,5 times as much. Comparing with it the share of state expenditure for stimulating production in cattle farming area should be increased 3,1 times as much (Gorlov, 2015).

### **6. Conclusions**

Firstly, the fact of the genuine deficit of government support is supported by the thesis in the beginning of the article – Russia is in the situation combining insufficiently competitive AIC with low level of government support that leads to stagnation.

Secondly, funds in the system of government support are allocated in a generalized sense. In particular, subsidies in crop farming are assigned per a hectare – distinctiveness of specific location often is not taken into account, furthermore there is no a direct connection with the quality of products and resource potential.

Thirdly, there is no element of guarantee in the modern system of government support, that is funds are allocated for the most “hot places” – e.g. such as high AIC debt burden, although insurance mechanisms – such as guaranteed prices are strategically needed more.



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## **PLACE MARKETING: AN OVERVIEW OF THE MAIN APPROACHES OF MANAGEMENT**

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### **Abstract**

The current approaches to marketing management at the territorial level are presented in this article. Relying on foreign and Russian scientific papers, the author identifies the stages of place marketing management, defines and summarizes the basic tools of marketing at the territorial level, relates dedicated stages of place marketing management with the process of strategic planning in the Russian Federation.

**Keywords:** place marketing, marketing management, strategic marketing, regional economy, marketing tools

### **Введение**

Маркетинг становится неотъемлемой частью стратегического планирования территорий: его принципы закладываются в основу разработки и реализации стратегий социально-экономического развития, а его инструментарий во многом способствует выявлению основных потребностей целевых групп потребителей, а также формированию конкурентных преимуществ территорий. В частности, М.Р. Пфайфер отмечает, что маркетинг территорий на сегодняшний день является наиболее эффективным механизмом разработки и реализации социально-экономических стратегий, программ и проектов, обеспечивающих согласование интересов субъектов рыночных отношений [1, с. 37]. Тем не менее, вынуждены признать, что процесс управления маркетингом применительно к территориальным образованиям практически нигде детально не рассматривается в научной литературе, а описание инструментария маркетинга территорий носит весьма фрагментарный характер. Хотя именно от процесса управления во многом зависит качество принимаемых управленческих решений на территориальном