

## Development of Small Forms of Entrepreneurship and Agricultural Production in Russian Village

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**Abstract:** The authors point out that one of the main purposes of reforms in Russian agricultural economy was development of small businesses in the country. The role of small businesses and their influence on socio-economic state of a region, on local consumers, regional markets are defined. Measures to fulfill state policy in the area of agricultural sector of economy are formulated in the article, it is emphasized that realization of the rights of the producers of fair access to means of production, resources and products manufactured will increase effectiveness of agricultural production of PFs (Peasant farms). It is found that development of small businesses (small forms of economic management) and activation of entrepreneurial activity is possible only when favorable conditions for functioning and civilized inter-farm relations are established and after normalization of social sphere in the country.

**Key words:** Agriculture • Agro-industrial complex (AIC) • Personal subsidiary plot of land (near one's house) (PSPL) • Peasant farm (PF) • Cattle-breeding • Plant-growing • Gross domestic product (GDP) • Bulk yield • Agrarian (rural) economy • Small businesses (small forms of economic management) • Entrepreneurship • effectiveness • Agricultural production • A farmer

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### INTRODUCTION

Nowadays special attention is paid to solving problems of small business in AIC, which is proved by current measures of support of PFs and PSPL adopted by federal and regional authorities, but there are still a lot of tasks that must be solved for further development of small business in agriculture. Development of farming is one of first priorities of our state as it enables to eliminate economic and social problems in the country-the main ones are unemployment and availability of work.

**Main Part:** Stavropol farmers in 2013 gathered more than 1 million tons of grain (one of the most “weighted” harvests in the country among PFs), production of sugar-beetroot is increased (1,5 times), of sunflowers, rapes, oil flax, potatoes, grapes and vegetables. In this regard the work of PF Pedashenko from Trunov district must be paid special attention. Even in dry last year they maintained high profitability in production of vegetables. In this farm they even started seed-growing, having

founded strawberry field, implemented drop irrigation and now are planning to build storage-house for vegetables. Plants-growing is one of the main activity of small agrarian farms. But also they go for cattle-breeding: quantity of sheep and goats have increased by 30%.

As demonstration of success more than 50 PFs fulfilled reconstruction and modernization of cattle-breeding farms. So the PF Boets in Grachevsky district built a farm where already about 230 cows are kept. The farmer intends to increase the quantity of cattle in the nearest future. Other PF-Zhivotnovod (Cattle-breeder)-from Petrovsky district rented 600 hectares of land to built family farm for 350 animals.

Few owners of PFs are engaged in poultry-breeding, in particular for production of eggs. And with every year it becomes more difficult because of the expensive energy resources. By the way in Stavropol Krai these are higher than in the analogous profile farms in other regions, for example in Tyumen Region kilowatt per hour costs 1,95 roubles at average, in Krasnoyarsk Krai - 1,51 roubles, in Leningrad Region - 2,79 roubles but in Stavropolye it costs 2,9 roubles.

The volume of production and interest in cattle-breeding grow with farmers but the main problem for small businesses is still sales of products. Many farmers have to work through intermediary companies, by themselves not having access to the end consumer. So most part of the profit (to 70%) stays with intermediary trade organizations - it is much higher than in foreign countries.

In the industry of plant-growing it is high competition and small-scale goods producers are not able to stand it - not only in production but in sales as well. Big commercial grain companies prefer to buy big batches of grain with guaranteed quality and farmers in this sense loose and are forced to decrease the price and obtain low margin [1].

Pfs passively use subsidized limits on several directions of support of regional AIC, first of all in the area of elite seed-growing. But for small businesses it is important sphere and a problem in the same time. It is sufficient to say that farmers sow out 60% of seeds that do not correspond to the standard which lead to loss of harvest.

And though Stavropol farmers made agricultural products in very large quantity their part in the production of all agricultural products of this region is small - not more than 10%. But 1/3 of land for agriculture in Stavropol Krai is given to PFs.

#### **Main Factors Which Hinder Development of PFs Are:**

- If PF will have organizational and law status of joint-stock company, in accordance with legislature their production will not be considered as produced in a farm. There is insufficient information on forms of small business and farming. Statistical data differ greatly and does not always correspond to reality;
- Obtaining support for farmers from the state is difficult and sometimes labour-consuming process, it brings little effect and the sums of money are insufficient.
- Examples from foreign countries showed that informative and consultation aid is the most efficient mean of stimulation of small business in agriculture and it affects greatly the effectiveness of investments. Nowadays available informative and consultancy centers that were organized operate insufficiently and do not influence small business in agriculture;

- Agricultural consumers' cooperation is not developed and does not make any effect on development of production, processing and sale of agricultural products made by PFs;
- Workers, farmer's families members (director and employees of PF) who work in PF remain socially unprotected and their duties are not included into General Russian Classifier of employees and working professions. This hinders getting of social guarantees by employees of PFs and by members of their families;
- What makes negative effect on producers of agricultural goods: disparity of prices, unfair pricing for agricultural goods, especially for grains and dairy products, high degree of current wear-and-tear and low renewing of fixed means of production, imperfection of norms and regulations and tax laws regulating activity of PFs; insufficient social guarantees to farmers, members of their families and employees [2].

All these problems taken together affects development of small businesses in the country in a bad way and hinder the growth of quantity of newly formed small farms in Russia, but in some countries not solved and accumulated problems in small business in agriculture lead to reduction of small forms of businesses in quantity and dynamical growth of big farms. Big farms get bigger and bigger and still more effective. Re-structuring in agriculture takes place, often towards corporative farms (Wortman, 1990b). Small family farms usually compete badly in such products as wheat, cotton, corn, pea-nuts, beans, sorghum or potatoes [3].

In this regard one of the main way to increase effectiveness of small businesses of AIC is reduction of costs of production by implementation of new technologies of production and processing to get high quality goods. It will be competitive advantage on the agricultural market.

Another problem is obtaining loans for small businesses in the country. Money still remains inaccessible especially for very small PFs which do not possess notorious pledge fund necessary for getting loan. In Stavropol Krai Guarantee Fund is founded to work with PFs, but its operation is not as efficient as it should be. In 2012 in Stavropol Krai this fund prepared necessary guarantees to get loans only for 9 farms-only for 9 millions rubles or 7% from necessary number.

Positive indication is keeping of state support in 2012 on the level of 2011. Fertility support is renewed. For example for taking organic fertilizers to the fields it is planned to compensate half of all costs.

Besides that small forms of business must be provided with low price fuel, low price for land, their machinery must be renewed, they must get qualified personnel. It is necessary to make work of AKKOR (Association of Pfs and agricultural cooperatives) better. As last years practice shows such organizations play important role defending interests of small businesses in AIC including dialogue with state bodies which must know all the time what's going on in small business [4].

#### **To Solve All These Problems it Is Necessary:**

- Make changes in regulation of legal status of PFs and enter them into Civil Code and Federal Law "About PF" and into definition of PF-legal entity, include criteria of identification of PFs and personal subsidiary plots of land, give possibility to transfer PFs to imputed tax per 1 hectare of field; elaborate procedure of transferring of land to the possession of director and members of PF free of charge on the basis of "inheritance, possession"; change the Rules of identification of breed livestock farms for PFs taking into consideration keeping all privileges of agricultural producer after re-registration; implement system of incentives for PFs (single grant in the amount of 1 million roubles, loan or privileged loan to 3 million roubles for 5 years must be given to beginner, he must be granted tax-free period for 5 years [5].
- Making land relations more perfect. Amendments to separate Law Acts must be done in the part of regulation of land relations, big simplification of procedures of cadastre evaluation, boundaries settlement and registration of land, approve normative time period of legalizing all documents for possession of land since the date of registration of application-it must be not more than 1 month. To implement progressive rate of land tax and mechanism of taking land from owner who does not use it and passing it over to farmers; permit the farmers to build apartments on land of agricultural purpose [6].
- To increase effectiveness of entrepreneurial activity of PFs by means of regulation of agrarian market, increase effectiveness of purchase and goods interventions, prohibiting intermediary companies from participation in it; increase volume of interventions; maintain purchase tenders for agricultural goods produced by farmers.
- To implement system of compensations, grants and grant programs of Pfs: 20% for purchasing means of production, 35% for buying cattle, 30% when designing and constructing production facilities and connecting them to utility services; to increase grants for production of milk; to facilitate internal consumption of grain by means of stimulation of cattle-breeding and poultry-breeding; to reduce interests on loan when they are paid by farmers [7].
- To develop system of effective and rational financing for PFs and consumer's cooperatives; establish mechanism of prolongation of loans-short-term for 2 years and long-term for 4 years; give loans for buying land; to give subsidies in the amount of interest rate for loans if the future year's harvest is a pledge; provide subsidies for loans given by credit cooperatives; give loans mortgaged by property of PFs in the amount of full value of PF; subsidize loans given for purchasing lands of agricultural purpose; develop system of leasing payments taking into consideration season factor of agricultural production together with OAO Rosagroleasing [8].

Without adequate financing and liquidity none of the businesses will be able to work, invest and grow. For example, access to financing is one of the levers of business growth accordingly to open consultancy organized by Euro Commission in July of 2012 and absence or limited access to financial resources hinder development of small businesses and economic growth in Europe. Small and middle business historically was organized around banks, therefore current problems in financing influence small business to very great extent. It is especially difficult to mobilize financing at the early stages of one's business [9].

It is necessary to point out that agriculture is traditionally passive branch of economy, village people are not inclined to commercial activity, potential of support from state is limited, slow turnover put limits to inflow of private investments; the problem of development of entrepreneurship in agriculture demands urgent and serious work in the conditions of WTO.

Problem of increase of entrepreneurial activity in the country is acute not only for Russia, but for other foreign countries, for example, V. Dabson points out that entrepreneurship must be taken special attention as the mean of activization of rural population of America". Because of relative isolation rural people tend to be more self-contained than city people. Nevertheless the sense of independence can decrease the possibility of finding support and new directions of development of business [10]. Important conclusions were made by McElwee who emphasize that though the diversification is the most often used strategy for farms investigations show that high specialization can be more appropriate strategy to provide survival of a farm. Unfortunately family farms which traditionally are engaged into agriculture for several generations often are not willing and not ready for innovations. This decreases entrepreneurial intentions and local laws hinder entrepreneurial initiative (for example, zoning), such innovations as wind power stations [11].

### CONCLUSIONS

Nowadays Pfs are desperately looking for ways to survive, to develop steadily and increase effectiveness of production-all that is possible if PFs are united by associations and cooperatives taking into consideration all economic and social interests; such organizational and consolidating function can be provided by local bodies of self-government.

Firstly, local authorities must form single favorable economic space for drawing investments and for production. Secondly, bodies of self-government must facilitate the complex way of agricultural production, help in increase of economic activity in a region, develop multi-profile agricultural production and facilitate gradual development of deep processing. For this it is necessary to completely work out all socio-economic mechanism of economic management in the country, implement valuable local self-government delegated with appropriate powers, work out normative regulation and mechanism of economic management in small business in agriculture.

T. Petrin believes that private business will flourish in those rural regions where there are 2 approaches to development - from the bottom to the top and from the top to the bottom. Activization of entrepreneurship demands much more complex approach to develop rural

regions than it is made in practice, it is necessary not only to develop local entrepreneurial potential, but to have approved regional and local strategy as well. Experience shows that where it takes place individual business plays major role in socio-economic development of the village. Use of approach from top to the bottom provides for effectiveness of entrepreneurs' activity in local conditions and approach from bottom to the top creates conditions for successful entrepreneurial initiative in village community. On those territories where these two approaches are used in a complex way entrepreneurship develops harmoniously and makes great contribution into development of economy and social sphere of rural regions [12].

**Inference:** Creation of small forms of economic management and choice of the kind of entrepreneurial activity depends on particular feature of normative regulation, economic potential and facilitation by the bodies of local self-government to development of business. With that many problems in villages will be solved by creation of favorable socio-economic sphere for small business by local government. In general fulfillment of state policy in agricultural sector of economy, giving rights to producers to have fair access to means of production, resources and goods produced will increase effectiveness of agricultural production in PFs. In this regard development of small forms of economic management (small businesses) and activization of entrepreneurial activity is possible in conditions of favorable functioning and civilized business relations as well as well-established social sphere in the villages.

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