Organisational and Economic Mechanism of Purchase and Supply of Agricultural Products for State Needs in Self-Regulating Conditions

Vadim Petrovich Cherdancev, Andrey Viktorovich Plotnikov and Irina Jur’evna Filippova

1Russian Presidential Academy of National Economy and Public Administration, Perm, Russia
2Perm Branch of the Russian State Trade and Economic University, Perm, Russia
3Berezniki Branch of the Perm State National Research University, Berezniki, Perm Krai, Russia

Submitted: Jun 23, 2013; Accepted: Jul 19, 2013; Published: Jul 28, 2013

Abstract: This paper introduces the term “social needs” as a kind of federal, regional and municipal needs and creates a theoretical basis for formation of organizational and economic mechanism of self-regulating system of purchase and supply of agricultural products for state needs. Unlike other similar systems, the approach we suggest aims to transform administrative forms of regulation into self-regulation mode that exists between immediate producers of agricultural products and the clients, or distributors of budgetary resources on different levels. The basis of organizational and economic mechanism and its major constituents are state regulation of reproduction process, raw materials and finished agricultural products, matching demand and supply, use of advantages of self-regulation institutes.

Key words: Agricultural sector • Agricultural industry • Public regulation • Public purchases

INTRODUCTION

One of the strategic objectives of the development of agricultural sector of Russian economy is to ensure a stable supply of domestic food products. With this aim in view, extensive resources are allocated from the state budget. These resources are used, in particular, for purchasing and supplying agricultural products for state needs. Organization of purchase and supply of agricultural products for state needs is one of the major functions of the state that allows it to satisfy social needs.

The present model of organizational and economical relations that is used for purchase and supply of agricultural products for state needs is characterized by the divergence of interests of the involved parties and non-availability of institutes that may assist in developing self-regulation. For this reason, there are a number of problems that plague both sales of the agricultural products and reconstitution of food reserves. As a result of this fact, coupled with the increased competition on the food market, the economy becomes more and more dependent on importing food products and the food supply security is very low.

This research explores the social, economical, organizational and administrative problems of state agencies, local government, institutions, establishment and organization of all types of property that take part in performing the function of purchase and supply of agricultural products for state needs.

The subject for study is a complex of organizational and economical relations between the state, agricultural producers and self-regulating bodies (SRB) that establish as a result of managing the purchase and supply of agricultural products for state needs.

Overview of the current level of scientific development of the research subject.


Modern scientific literature does not demonstrate an identity of views on the issue of design and implementation of the system and the methods of regulation of organizational and economical mechanism of purchase and supply of agricultural products for state needs. [8] Neither a system of institutions that would assist in developing market relations in the area of cooperation between the state and the product suppliers represented by self-regulating organizations has been created [9].

RESULTS AND DISCUSSION

MATERIALS AND METHODS

Theoretical and methodological basis of this research consists of the studies published by both Russian and foreign researchers of institutional theory, state administration of economy, management, state regulation of innovation processes in agricultural sector, modern product purchase and supply management theories. The factual purpose of this study is to develop a methodological and methodical basis for the organizational and economical mechanism of self-regulating system of purchase and supply of agricultural products for state needs. Organizational and economical mechanism of self-regulating system of purchase and supply of agricultural products for state needs is a combination of state regulation measures (system of quota assignment, price formation, creating of credit, taxation and more), elements of market relations (supply, demand, competition) and in-house management of the self-regulating organizations (i.e. resources management). In other words, this mechanism is represented by a number of principles, methods, functions, incentives, instruments and limitations that provide for decision-making in constantly changing environment.

The methodological basis of the research of organizational and economical mechanism of the purchase and supply of agricultural products in our study consists of institutional analysis, applied math modelling and expert analysis, as well as system, strategic, monographic, economical and statistical, functional, integration and situational approach.

The informational base of the study is represented by federal, regional and municipal regulatory acts, government regulations, Federal State Statistic Service materials, analytical digests of Department of Agriculture of Russia and of Perm Region, State Customs Committee, book-keeping reports of Perm Region Administration; Russian and foreign periodicals, Internet resources (scientific publications and practical materials, official websites of government agencies of Russia and other countries, regions, city administrations, international organizations, universities, business schools, marketing agencies and more); as well as data obtained through research activities performed by or under guidance of the author.

RESULTS AND DISCUSSION

Academic novelty. This paper introduces the term “social needs” and creates a theoretical basis for formation of organizational and economic mechanism of self-regulating system of purchase and supply of agricultural products for state needs and its major constituents.

Organization of purchase of supply of agricultural products for state needs is one of the major functions of the state that allow it to satisfy social needs. Social needs are mass needs that the society as a whole, as well as individual society groups, communities, organizations, private persons have and that are a subject of the development of productive forces and production relation in the given society and the economic status of individual social groups. Social needs consist of security needs, communication needs, cultural and educational needs, health needs, employment needs and recreational needs.

One of the most important constituents of the national security is food supply safety. The state assures that this need is met by applying a number of measures, methods and instruments [10].

State needs are a part of social needs. State needs are met by the allocation of budgetary and extra-budgetary resources. The supply for state needs in the context of state-controlled economy was provided in strict obedience to the plan and regulations.

As the study shows, the emergence of market conditions had made enterprises independent and as a result of this the old system of state procurement and distribution of goods produced by these enterprises collapsed. A new system of purchase and supply for state needs is forming (Fig. 1). The state places an order for
procurement of goods or services and suppliers enter the contract for such procurement on their own initiative. In other words, the state must attract suppliers and motivate them to take part in such economic activities.

It should be noted that the state order is formed both on federal and regional level and the goods are supplied directly on regional and municipal level.

The regulatory framework is developed on the federal level and adopted on the regional level with a due account for the local political, economical, social, natural, climatic and other conditions, the level of the region’s development and its competitive advantages. In order to comply with the regulatory framework, the regions develop their own bylaws and other kinds of subordinate legislation. For this reason, the performance of purchase and supply system demonstrates different performance in different regions.

The institute of “procurement for state needs” has almost finished its development and accordingly it has scientifically substantiated legal base, organizational structure, unified information system and strategic vertical that allows to plan, organize and control the orders on all levels of management. As determined in the paper, the institute of “procurement for state needs” is being developed empirically – the fact that slows down the overall development of purchase and supply system and degrades its performance. Aside from that, the regulatory bodies are now free to enforce their own rules and standards for business activities and product quality and have an excessive authority, granted that the effective and institutionalized mechanism of feedback in the area of legislative decisions and enforcement is yet to be developed.

The efficiency of purchase and supply of agricultural products for state needs depends on the level of conformity between the client (state representative) and the supplier (producer or processor of agricultural products).

The formation of state order has, for the most part, relocated to the regional level. Therefore, it is strictly regulated (Fig. 2). The role of the supplier for state needs is more often than not taken by large and integrated organizations that consist of various agricultural producers and processors and have a complete establishment.

Large independent organizations that do not have their own processing plants only participate in supply of goods that do not require processing. Agricultural holdings and independent enterprises essentially are self-regulating organizations.

Minor husbandries rarely partake in supply independently as they are unable to form a product batch with a level of quality and quantity high enough to meet the requirements of the client. Aside from this, the farmer
CONCLUSIONS

In order to develop and effective strategy of purchase and supply of products for social needs that matches the level of development of the local agricultural sector, the author suggests using an approach which is based on the features and factors of accountability management system and takes into account the critical efficiency factors under competitive market conditions.

We suggest using the results of the study for the development of integral system of purchase and supply of products for social needs that include the following subsystems: structural and functional represented by a complex of regulatory bodies, structural subdivisions and contractors; informational and analytical that consists of the complex of units that reflect the administration ideology and values system of the administrative system, as well as behavioural standards and interests of the people in charge of administrative process, information and communication processes in administrative system; self-development subsystem that is engaged in search and development of new and effective ideas, as well as
their implementation. The suggested architecture of administration and regulation of state orders guarantees the transparency of business relations and makes provisions for anti-corruption initiatives, reduces the number of possibilities for corrupt practices and inefficient spending, as well as reduction of transaction costs.

Social needs as a particular kind of federal, regional and municipal needs must be satisfied by regulatory agencies on all levels by applying certain measures, methods and instruments. The mechanism of purchase and supply of agricultural products for state needs includes a model of cooperation between self-regulating organisations and other elements of the system. We suggest using modern cooperation forms and instruments in order to ensure an effective interaction between the state and self-regulating organisation and agricultural businesses. The basis of such forms and instruments is cooperation between different levels of governments and self-regulating organization that ensures satisfaction of demand for agricultural products.

REFERENCES