ROLE OF THE STATE IN THE DISTRIBUTION AND REDISTRIBUTION OF CASH AND AGRICULTURAL RESOURCES IN THE REGIONS OF THE RUSSIAN FEDERATION

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ABSTRACT

The article discusses the distribution of financial resources with a preference for land assets and production of deep processed products with the highest added value, which simultaneously increases the incomes of producers and improves government revenues by increasing tax receipts. It is noted that the progressive development of agriculture depends on the technical modernization of the industry, which also requires investment. Therefore, it is necessary to subsidize the modernization and reconstruction of fixed assets - granaries, greenhouses. Potential profit, which will become an important component of investment, can give a boost to the investment activity. An analysis was carried out on the conceptual foundations of building economic relations in modern agricultural production. The conditions for the agricultural development have been assessed, and critical insights on mechanisms for implementing state and regional target programs have been provided. In terms of a systemic approach to the State economic management, the economic processes should be considered as a system of financial relations that interacts with other systems. In this regard, the paper presents a model that reflects the conceptual framework for managing financial flows. This model provides an overview of managing economic processes, and may take into account many elements and factors.

Key words: agribusiness, agriculture, investment, investment growth, Agriculture Development Program, food security.

مجلة العلوم الزراعية العراقية

المستخلص

يناقش البحث توزيع الموارد المالية مع تفضيل الأصول العقارية وإنتاج المنتجات المعالجة العالية القيمة مع أعلى قيمة مضافة، والتي تزيد في الوقت نفسه دخل المنتجين وتحسن الإيرادات الحكومية عن طريق زيادة الإيرادات الضريبية. ولاحظ أن التطور التدريجي للزراعة يعتمد على التحديث التقني للصاعة، الذي يتطلب أيضًا الاستثمار. لذلك، من الضروري دعم تحديث وإعادة بناء الأصول الثابتة - مخازن الحبوب، الصوب الزراعية. البرج المحتمل، الذي يصبح مقصراً هاماً للاستثمار. يمكن أن يكون دفعة للنشاط الاستثماري. تم إجراء تحليل على الأسند المفاهيمي لبناء العلاقات الاقتصادية في الإنتاج الزراعي الحديث. وقد تم تقييم شروط التنمية الزراعية، وتم توفير رؤى حاسمة للآليات تنفيذ برامج الدولة الاقتصادية المستهدفة. فيما يتعلق بالنهج الشامل لإدارة الدولة الاقتصادية، ينبغي اعتبار الممارسات الاقتصادية إبداعية نظام للعلاقات المالية يتفاعل مع الأنظمة الأخرى. وفي هذا الصدد، يعرض البحث نموذجاً يعكس إطار المفاهيمي لإدارة التدخلات المالية. كما يوفر هذا النموذج نظرة عامة على إدارة العمليات الاقتصادية، وقد يأخذ في الاعتبار العديد من العناصر والممارسات.

الكلمات المفتاحية: الأعمال الزراعية، الاستثمار، программа развития сельского хозяйства، الأمن الغذائي

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INTRODUCTION
In recent years, the Russian economy have known a very turbulent period, due to both the impact of adverse international environment and the consequences of failed governmental policies in the 1990s. The agro-industrial complex have been one of the hardest hit by the economic crisis, that affected the qualitative and quantitative indicators of enterprises providing the population with agricultural production. The historical context of this problem reveals that, since the time of Catherine II, Russian agriculture has mainly developed due to the increase in arable land, i.e., extensive methods. This situation had resulted from the availability of huge undeveloped land. But at the same time, the introduction of intensive methods of agricultural production, proposed by the Free Economic Society (1766), gave positive results, although they did not have much effect. According to N. Pavlenko, the Society gave «exemplary instructions to the clerks, recommendations on how to increase yields, arrange corn floors and drying-houses, use some more sophisticated tools and so on. The effectiveness of these recommendations was insignificant ...; the recommendations remained uncalled ...» (2). Such approaches to the development of agriculture remain at present. However, the international division of labor, competitive advantages and evidence-based approaches allow solving a large number of tasks related to the introduction of new technologies and the implementation of intensive farming practices.

MATERIALS AND METHODS
One of the most important and complex stages in cash flow managing of an agricultural enterprise is optimization. Cash flow optimization is the process of choosing the best forms of its organization in the enterprise, taking into account the conditions and specific features of its economic activities. First of all, a balance needs to be found between cash inflow and outflow, since both the deficit and surplus cash have a negative impact on the results of economic activity. The lack of cash flow leads to a decrease in enterprise liquidity, which results in an increase in the company's overdue loans, debts to suppliers and salary arrears. A cash surplus leads to a loss in the real value of temporarily free cash, the capital turnover slows down due to the conservation of cash, a part of the potential income is lost due to the loss of use of funds. To achieve a short term balance of deficit cash flow, different measures aimed at raising of funds and slowdown in disbursement are being developed. To accelerate the process of obtaining the necessary funding, an enterprise should undertake the following measures: to get a partial or full prepayment for products that are in high demand in the market; to reduce the terms for granting commodity loans to customers; to increase settlement discounts; to accelerate the collection of outstanding receivables, to use the modern forms of receivables reinvestment (bills discounting, factoring, forfaiting). Measures to slowdown the payments should be the following: to extend the maturity of commodity loans with supplier's consent; to use the payment float; to purchase long-term assets on leasing terms, to restructure credits by transferring short-term loans to long-term ones. These activities raise the financial solvency of the enterprise in the short term, but they also can pose the challenge of cash shortages in the future, so, the parallel measures should be developed to provide cash flow balance in the long-term period. Measures to increase the positive cash flow: an additional issue of shares; additional issue of bonds, procurement of long-term loans; attraction of strategic investors, sale of a part of long-term financial investments, sale and leasing of unexploited fixed assets. Measures to reduce negative cash flow: reducing the fixed costs of the enterprise and the volume of real and financial investment. The ways to optimize the excess cash flow are mainly related to the investment activity of the enterprise aimed at:
- early repayment of long-term bank loans;
- increase in the volume of real investment;
- increase in the volume of financial investments.
Synchronization of cash flows should be aimed at eliminating seasonal and cyclical differences in the formation of both positive and negative cash flows, as well as at the optimization of average cash balances. The final stage of optimization is to ensure the conditions for maximizing the company's net
The management of modern agriculture is a multifaceted phenomenon that depends on external and internal factors, from climatic conditions to the choice of methods of agricultural production. The solution of all these issues includes the modernization of the industry, which ultimately results in ensuring food security, increasing the profitability of products, renewing fixed assets, developing and improving market institutions. The solution of problems related to the regulation of land relationships, the development of market processes and social policies aimed at the intensive development of rural settlements is impossible without government intervention. In this regard, market-oriented economists strongly oppose protectionist actions by governments. Without State interference it is impossible to eliminate the negative consequences in the development of agriculture: «... the state, in order to promote the normal dynamic development of the agro-food system and ensure the country's food independence, is objectively forced to assume the functions of shaping and purposeful implementation of agrarian protectionism» (2).

It should be noted that protectionist steps of the state will be effective if all those who wish and are able to work and achieve positive results are interested in this (1). In analyzing the problems of distribution and redistribution of financial (monetary) flows in the agriculture, it is necessary to distinguish the following specific features of this sector: the work period does not coincide with the period of production, hence, the specific labor organization – the jobs have no narrow specialization; seasonality of production; dependence on natural and climatic conditions; specific means of production; combination of economic laws with biological ones; land as the most important factor of production; large areas of production in different climatic zones; a large volume of transportation of both goods and machinery. These features determine the circulation of funds in agriculture. The most important of them: slow capital movement; gradual increase in costs on yield and production; the need for huge production inventories, -affect the organization of agricultural finance so that:- a lower level of production marketability leads to a difference between generated income and realized gain; - unevenly distributed costs require external financial and credit resources in certain periods of the year; - crops, livestock and property insurance against natural disasters is of extreme importance; - financial planning and management of an agricultural enterprise have certain specificities.

Specialist knowledge about this industry can help to build an effective credit policy in the agricultural sector. All state credit and financial policies in agricultural production should be aimed at optimizing investment, which will require a progressive investment legislation, accounting...
for investment risks, and a favorable tax system. The agriculture of economically developed countries cannot do without substantial public and private investment. In addition to significant investment flow, western agricultural producers receive substantial assistance in the form of grants and concessional loans. The agriculture is the most important sector of the Russian economy, ensuring the food security of the State. The increased integration of the Russian Federation into the world economy and the simultaneous geopolitical crises determine the growing importance of ensuring the competitiveness of domestic agriculture. The competitiveness of agriculture is closely linked to the reproduction processes in the industry.

Currently, the fixed assets in the agricultural sector are highly depreciated. The threshold for ensuring economic security is up to 50% of depreciation (according to some economists, up to 30%). According to Rosstat, the degree of depreciation of fixed assets in Russian agriculture today exceeds 40% and there is a negative upward trend in this indicator (2).

The reproduction crisis in agriculture requires the creation of an adequate financial and credit mechanism. In this regard, the problem of attracting financial resources for the implementation of reproductive process in agriculture is quite relevant. In general, the term «financial support for the reproduction of the material and technical base of agriculture» should be understood as a set of techniques, methods and means of economic influence used by state authorities and market structures in order to improve reproduction processes in agriculture, including the renovation of logistical resources (1). The peculiarities of financing reproduction processes in agriculture arise from the specific features of production, which include:

- the seasonality, which causes the uneven use of monetary and material resources during the year;
- a long production cycle, which affects the duration of the payback period, the circulation of assets;
- the difference in time between incoming and outgoing cash flows, which causes the need for external sources of financing;
- dependence on natural and climatic conditions, which requires the implementation of a number of preventive measures, leading to an increase in production cost;
- capital intensity of the industry, mainly due to the fact that the main means of production in agriculture is land.

These features have a significant impact on the financial result of agricultural enterprises, and, consequently, on financing the reproduction of material and technical resources. Sources of financing the reproduction of fixed assets can be divided into two groups:

1) funds generated by enterprises on their own (sinking fund, profit);
2) external sources (credit resources, funds of leasing and insurance companies, foreign investment, state subsidies).

Investment is a key element in the reproduction process. The long-term investment include the acquisition of current and fixed assets in order to obtain profit. Investment in agriculture is characterized by high capital intensity, long payback period, risk of non-acquisition of income. These are the reasons for which investors are in no hurry to put their money in this industry due to the high risks of a different nature. In 2015-2017, agriculture, hunting and forestry accounted for less than 4% in the structure of investment in fixed assets in the Russian Federation (2). Moreover, in 2014, there was a negative downward trend for this indicator (Fig. 1).
The volume of investments in agriculture, hunting and forestry in 2015 amounted to 476.4 billion rubles, in 2016 this figure increased to 516.6 billion rubles. In 2017, the investment in the industry decreased to 498.5 billion rubles, which was due to the unfavorable economic situation in the country (2). In addition, according to the forecasts of the Ministry of Agriculture, in 2018, the disadvantaged situation of agricultural producers and limited credit opportunities will lead to a decrease in investment by 5%. One of the main reasons for the decline in foreign investment in agriculture is the insufficient level of profitability. So, most agricultural enterprises account for their own sources of investment. They are more reliable because they provide financial sustainability. Profit is the most important source of financing the recovery of depreciated assets. However, it is not accessible to unprofitable agricultural enterprises. Agricultural enterprises can use the depreciation mechanism to ensure the reproduction process. Depreciation is one of the most important and available sources of accumulation, since it forms a part of product value that compensates for the consumption of fixed assets in the production process. However, if an enterprise is unprofitable, the depreciation charges, as a rule, are used to cover the current expenses of the enterprise and for other purposes. In the cost structure of Russian agriculture, the share of depreciation charges does not exceed 10%, which is sufficient to modernize only 10% of fixed assets. It should be noted that, in some cases, the farmers’ revenues are not enough to ensure even simple reproduction, let alone the expanded one. Therefore, they have a crucial need to attract external financial resources. The balance between own and borrowed funds is one of the most important conditions for the effective functioning of the financial and credit mechanism in agriculture. In 2015-2017 the borrowings prevailed in the structure of fixed investment sources of agriculture. In 2017, the situation changed, there was a decrease not only in the proportion of borrowings, but also in their absolute terms as shown in figure 2.
The existing situation results from a sharp increase in the refinancing rate of the Bank of Russia and the corresponding increase in the cost of credit resources. On the one hand, the increase in domestic investment sources is positive, considering that, according to the data provided by Russian Statistics Office (Rosstat), the number of profit entities and the amount of their net profit increased in 2017. On the other hand, there is a negative trend towards a reduction in external investment sources, including bank loans and budget funds, against the background of a reduction in total investment in the industry. Nevertheless, despite the above-mentioned trends, public financial assistance becomes one of the main priorities and, thus, State is jointly responsible for the performance of the agriculture sector, along with the business. Agricultural finance is a system of economic relations linked to funds circulation, formation, distribution and use of the product in the process of expanded reproduction. The problem of investment remains the main constraint on the development of agro-industrial complex, as can be seen from the low profitability of many agricultural producers. Investment opportunities are quite limited, given the current economic conditions. It is not a secret to anyone that the investor have to earn the dividend income. So, what can spur the investment activity? State-subsidized agricultural producers can become one of the sources of long-term investments. But there are still some inconsistencies. The heavy subsidization of agriculture attracts large investors, but a number of unsolved problems remain in the area of subsidies, for example, their irrational distribution (a significant part of subsidies is allocated to support livestock farming, while the forage production sector is not covered) (5). The State Programme for the Development of Agriculture presumes the enhanced and effective role of the state in the distribution and redistribution of cash flows and resources, along with an increased level of funding for various regional programmes and subsidizing interest rates of long-term credits. The regional agricultural development programmes include the measures to support farms: grants of up to 1.5 million rubles, one-time assistance for up to 300 thousand rubles for business development are allocated, etc. However, these measures are not effective enough, because the conditions of receiving state support and credit subsidies become more and more stringent, and the corruption element constantly increases. But even under these circumstances, it is evident that the overall index of agricultural production has grown, its value was 113.3% in (2016). This situation has developed under the sanctions and embargo imposed on Russia. This became possible due to investment. The ongoing development of agriculture depends on the technical modernization of the industry, which also requires investment flows. Therefore, it is necessary to subsidize the modernization and reconstruction of fixed assets – granaries, greenhouses, etc. The profit should become a significant incentive for investment activity. If a certain activity of the agricultural producer is unprofitable, then no-one will invest money, taking into account that in agribusiness potential benefits can be obtained only in 3-5 years. The desire to produce competitive products is also an important factor. Low competitiveness limits the opportunities to get the investment. The competitiveness can be improved by the redistribution of value added, which means that there should be a chain of marginality. A successful development of an agricultural business requires equipment, seeds, fertilizers, with which grain, meat, milk and then, flour, frozen meat and foodstuffs will be produced. It is deep processing that can create competitive advantages of Russian agro-industrial complex, and at the same time, high added value is obtained from the full production cycle. According to the data from the Ministry of Agriculture of the Russian Federation, 21% of agricultural enterprises have a low level of profitability or are unprofitable. Hence, there is no reason to call for a high investment activity. If the investor does not see an acceptable level of profitability, then the unproductive character of investment is obvious. Another reason for the low investment activity is the fact that agricultural enterprises are too «leveraged», they have lack of collateral. Non-repayment of bank loans by agricultural enterprises amounted to 6% in 2015 against 4.3% in 2014, the total amount of losses exceeded 72 billion
rubles, and the average annual growth of labor productivity was only 2.2% \(^{(3)}\). The agricultural development programmes do not identify all possible solutions to these problems. Many non-economic issues, affecting the performance of economic indicators, have not yet been addressed. The investors have a very limited access to the information about investment objects, they are not offered insurance mechanisms to overcome the investment and price risks that are too high in the agriculture. Finally, to overcome difficulties and barriers in the development of agriculture, the State must develop long-term investment strategies aimed at addressing high investment costs caused by the lack of investment infrastructure. The Russian banking system is the most regulated services, with visible vertical (CBR - commercial banks - their affiliates) and horizontal (interbank relations) links, which implies the auditability of financial and credit policies. Therefore, government agencies can effectively monitor investment flows in order to create a favorite investment environment. With regard to the sources of investment, the whole complex of financial flows should be included in the investment process in agriculture. Own funds managing focuses on profits and deductions from the sinking fund. It was mentioned that not all types of enterprises are profitable, although profit is the main source of investment for many of them. The lack of these source should be compensated from the budget and extrabudgetary funds. Given the limited budget resources, the government can finance only the most profitable self-sustaining enterprises. Credit resources make up the major share of extrabudgetary funding. Long-term loans are in high demand since the banks are very reluctant to finance farm operations. The situation is to some extent smoothed by government subsidies, allowing to keep the volume and qualitative parameters of lending. Lending as a type of agricultural financing is an optimal measure due to the possibility of a long repayment, relatively low rates of specialized loans, a large number of different collateral. Currently, the personal funds of the population (private investment) should take their place in extra-budgetary investment of agriculture. In our opinion, this type of investment is based on overcoming the psychological barriers of the population: a person should know that putting his/her money, for example, in bonds, he/she will obtain an additional source of income in the future. The means of borrowing funds from households can include the establishment of share issuing companies and selling equity securities of agricultural enterprises can. It is important to highlight the role of state regulation and control on agricultural investment. The Russian government has chosen the implementation of state target programmes as the main instrument for managing financial flows in the agriculture. This approach does not always ensure the cost-effectiveness of budget. In the scientific and institutional environment the methods of programme-targeted financing are supported, but the question of the efficiency of targeted programmes remains open. Where should financial resources be directed: to the development of agroholdings, farming or private part-time farms? How legitimate is financing targeted programmes from budget sources? The target programmes contain no research methodology for planning, performance and budget investments, no monitoring of indicators that determine the optimal solution for a specific agribusiness. In our opinion, the Integrated Agricultural Development Programme for regions and municipalities should become the stable base for funding agricultural enterprises. The allocation of budget funds should based on priority areas. In Russia, much attention is paid to the development and financing of large agricultural enterprises, to agricultural holdings and farms, but the investment priorities of households are not taken into account. At the same time, in the structure of agricultural production, the share of households was 42% in 2014, 39% in 2015, the share of potato produced by small private farms was 80.4% in 2014, 76.8% - in 2015; the share of vegetables - 69% and 63.8%, fruits and berries - 76.7% and 77.2%, respectively \(^{(4)}\). State programme for 2017-2022 aims to increase agricultural production in general by 24.8% compared with 2015, the profitability index for enterprises will rise by
10-15%, and the wages of agricultural production workers will amount to 55% of the average in the economy. For all the activities carried out under this State programme, 1.5 trillion rubles are allocated. It should be noted that the amount allocated is insufficient even to meet the minimum requirements of the WTO Agreements. Another problem is that the development of large agricultural enterprises, agricultural holdings is considered by government as a major boost to the agriculture much less attention is paid to the development of farms and the personal part-time farming is almost ignored. Contradictory opinions about sources and mechanisms of financing agriculture and import substitution do not solve the problem of covering the costs of industry development. What is the right balance between different forms of agricultural enterprises - grantees of state subsidies, what attention should be paid to the development of private part-time farming, what is the cost of import substitution project? All these questions are currently open. There is no consensus on the distribution of expenditure commitments among the participants of various projects. Without state participation, the problem of financing costs cannot be addressed, the business should be interested in financial support of measures, the population should be interested in co-financing agricultural development. Certain theoretical questions arise from the prospective of the development of market relations and state participation in their regulation. The problem is solvable, the experience of Western countries and the practice of interaction between the state and agribusinesses and agricultural markets show the effectiveness of the selected positions. The systemic approach to the state economic management considers economic processes as a system of financial relations that interact with other systems. Taking into account the peculiarities of agricultural production, a model reflecting the conceptual framework for managing financial flows can be build. Complementary and interrelated elements of quantitative and qualitative, theoretical and applied character should be involved in the formation of this model. The \( M_1 \) model reflects the functional dependence between the elements and is as follows:

\[
M_1 = [i*f, t^o, p*q, f*r, d^s, q*t, t^s],
\]

where:
- \( i*f \) – instruments for the realization of goals;
- \( t^o \) – technological peculiarities of agricultural development model
- \( p*q \) – demand for certain types of agricultural products
- \( f*r \) – links between producers and consumers of agricultural products
- \( d^s \) – the share of agricultural production in the country's food resources
- \( q^t \) – production volumes (share) of domestic agricultural goods
- \( t^s \) – commodity structure of production, consumption, export and import of agricultural goods

This model gives a general idea about the management of economic processes, it can also take into account other elements and factors. A success in the implementation of State agricultural development programme is of special importance, because it will ensure the food security of the country and give a powerful boost to the development of both large-scale and medium/small-scale farming. As a result, by 2020, Russia will be able not only to feed itself by 90%, but to export agricultural products. Thus, the distribution of financial resources with preference to land assets and deep processing of products with its highest in the sector value added, will simultaneously increase the incomes of producers and improve state revenues by increasing tax receipts. It should be noted that the progressive agricultural development depends on the technical modernization of the industry, which also requires investment flows. Therefore, it is necessary to subsidize the modernization and reconstruction of fixed assets – granaries, greenhouses, etc. The profit should be a key component of investment. Based on the analysis of the conceptual framework for economic relations in modern agricultural production, we evaluated the conditions for the development of the industry and undertook a critical review to the mechanisms for implementing state and regional target programs. It is substantiated that a systemic approach to the state economic management considers economic processes as a system of financial relations that interact.
with other systems. In this regard, the paper presents a model that reflects the conceptual framework for managing financial flows. This model gives a general idea about the management of economic processes, and may take into account other elements and factors.

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