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## **EFFECTIVE STATE REGULATION AS A CONDITION FOR SUSTAINABLE FUNCTIONING OF THE AGRO-INDUSTRIAL COMPLEX IN RUSSIA**

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### **ABSTRACT**

*The article examines the role of state regulation of the agrarian sector of the economy in Russia. The agrarian sector cannot compete with the industrial sector of regional economies due to its specificity and dependency on natural factors, seasonality and cyclical nature of production. Mr. Osudarstvennoe regulation of the agricultural sector is one of the main objectives of raising economic efficiency of both agricultural producers and the industry in general. In the course of the study, the main methods and methods of state regulation in the country were revealed in different periods, basic measurements were proposed to improve the state management of the agrarian sector of the economy, taking into account the national characteristics of the development of agriculture in Russia.*

**Keywords:** *Agro-Industrial Complex, State Regulation, Sustainable Development*

### **INTRODUCTION**

The relevance of state regulation of the agrarian sector at the current stage of economic development is conditioned by the need to ensure Russia's food security and the production of competitive agricultural products. Active state intervention in the processes of market self-regulation has an impact on the growth of the production potential of the agrarian sector of the economy and increasing the efficiency of the country's agro-industrial complex.

State regulation of the agrarian sector of the economy is a complex mechanism, slowly adapting to modern economic and technological conditions. The agrarian sector cannot compete with the industrial sector of regional economies due to its specificity and dependency on natural factors, seasonality and cyclical nature of production. Consequently, state regulation of the agricultural sector is one of the main tasks of increasing the economic efficiency of both agricultural producers and the industry as a whole. Nabavizadeh chakeri et al., (2018) stated that among the economic sections of a developing country, the agriculture section as a factor in facilitating the process of growth and development is of special

importance. Suvorov et al., (2018) studied the electrochemical and electrostatic decomposition technologies as a means of improving the efficiency and safety of agricultural technologies.

The need for state economic regulation in the postindustrial society was also recognized by the World Bank, as noted in the report "The State in a Changing World" (1997): "Development needs an effective state that acts as a catalyst and an assistant that stimulates and complements the role of private business and individuals' history repeats with persistence, a good government is not a luxury, but a vital necessity. Without an effective state, sustainable development, economic and social, is not possibly effective state but is vital for the provision of goods and services, as well as for the creation of rules and institutions that allow markets to flourish and people to lead a healthy and happy life » (Chhibber, Ajay; Commander, Simon John and others, 1997).

## **METHODS AND MATERIALS**

During the research, methods such as analysis and synthesis were used. The materials of the research are chosen according to the studies of well-known economic scientists of the different countries of the world and statistical data.

### ***Main part***

In the course of revealing the theoretical and methodological problems of managing the agrarian sector of regional economies, taking into account the accumulated scientific and practical experience, three basic conceptual approaches to the methods of state regulation of the economy are defined:

- the impact of the state on the economy,
- interference of the state in the economy,
- state regulation of the economy.

First, effective state regulation of the economy depends on an adequate understanding of the essence of the regulated object - the economy, complex and contradictory processes occurring in it. The objectives of regulating the economy are closely related to the objects of state regulation. According to L. Abalkin (Abalkin, 1997), each goal is aimed at the object of regulation. Goals differ in scale, significance, but are closely related, because they cannot exist in isolation. Large and small goals, linked together, form a conditionally "goal tree", which forms the main goal. Smaller goals exist to achieve more important ones, and the degree of importance is dictated by the specific situation in the economy.

Specific objectives of state regulation are formulated by L.S. Andreeva (Abalkin, 1997):

- Increase in labor productivity by introducing in the achievements of technological progress and rationalization of production;
- raising the standard of living of the rural population;
- uninterrupted supply of the domestic market;
- Stabilization of agricultural products markets;
- Control over prices for agricultural products.

Focusing on the specifics of the agro industrial complex, as an object of management, there is a need for an integrated approach to the management of agro-industrial production, involving



the identification of the essence, regularities, and features of the evolution of system-forming factors of farming.

The economic essence of the allocation of the agro industrial complex as an object of state regulation is to orient the constituent subsystems into the realization of public interests, the coordinated interaction in the implementation of the reproduction cycle of obtaining products of agro-industrial production and bringing them to the consumer.

Mr. Osudarstvennoe regulation should be understood as a system of bringing in line with the national interests of the state and its entities with the interests of economic entities and the population based on their best combination to achieve the objectives of social development objectives defined by public authorities.

The state actively uses mechanisms of state support for agriculture to maintain a certain level of development of the agro industrial complex, based on the principles of regulation. I.N. Buzdalov in the first place among the most significant principles puts forward the principle of agrarian protectionism, which consists of two aspects: intra economic and external economic (Buzdalov, 2014).

The first principle concerns the relationship between agriculture and other sectors. In comparison with agriculture, these industries determine higher prices for products, a level of concentration of production and a higher level of development. This necessitates the "protection" of agriculture, and the conditions for the existence of the agricultural sector becomes worse by the higher the degree of "protection" (Boyev, 2007).

The second principle is related to the export and import of agricultural products. Purchases of agricultural products produced by the state in the conditions of the economic crisis adversely affect the economic condition of producers of agricultural products within the country.

The third principle of state regulation is the principle of the unity of economic and social goals, the essence of which is that regulation can successfully solve the tasks set, if it is oriented not only to the solution of economic problems, but also to the socio-psychological and national characteristics of different groups of the population. The economy is characterized by crisis and instability, and therefore the use of the principle of inductiveness and directive, for economic management is necessary. This allows you to balance the economy, directing resources to accelerate the pace of its development.

The fourth principle is the principle of program regulation. Programs in the agricultural sector are: a method that mitigates the negative effects of competition and programs that allow balancing the interests, mechanisms and instruments of regulation. When using this principle, it should be considered that participation in programs can be mandatory or voluntary. Mandatory programs are for producers-monopolists, as well as for state enterprises in case of force majeure. In the framework of program regulation, the state provides guaranteed support to certain groups of producers in the form of payments and subsidies, excluding the misuse of funds.

Thus, the principles of state regulation are the basis for the formation of mechanisms for state regulation of the agro industrial complex.

The methods of state regulation of the agro industrial complex are justified by agrarian policy. Agrarian policy is a constitutionally and legislatively fixed set of principled goals for ensuring the necessary economic and social living conditions for the rural population, which stimulate effective management. The aim of the agrarian policy for the long-term perspective



is the formation of an effective and sustainable agro-industrial production that corresponds to the world level ensuring the country's food security, the saturation of the market with food accessible to all sections of the population and raw materials for industry needs, accompanying the equalization of incomes and other social parameters in agriculture with the corresponding averages indicate for the country. Technology and technology that must constantly be updated, taking into account the requirements of the environment should be the basis for agro-industrial production.

Modern agrarian policy G.V. Mikhailushkin (Mikhailushkin, PV, AA Barannikov, 2012) represents as strengthening measures of the state regulation protecting the domestic manufacturer: targeted support of commodity producers, price support through price monitoring, introduction of modern technologies, etc.

Assessing the influence of external factors on the effectiveness of state regulation in the newest geopolitical conditions, A.I. Altukhov (Miloserdov, 2005), I.N. Buzdalov (Buzdalov, on the intensification of Russian agriculture, 2015), SS. Gubanov (Gubanov, 2014), V.V. Of Mercy (Altukhov, 2014) and other agricultural scientists (Tekueva M.T. and others, 2017) point to the need for processing agrarian policy, since its current version largely does not allow to solve systemic problems, first of all, ensuring food independence, increasing the profitability of agriculture for carrying out its technical and technological modernization, enhancement of product competitiveness in the external and internal markets and sustainable development of rural areas. Also, socio-economic changes that have already occurred or may occur in the future, both in the domestic and world economy, and primarily in the country's agro-industrial complex, such as Russia's accession to the World trade organization, annexation of Crimea and accession to the Eurasian customs Union, that are not fully taken into account. The Eurasian Customs Union, which under conditions of macroeconomic instability increases the likelihood of manifestation of various kinds of risks, significantly expands the list of many other problems of effective development of the agrarian sphere and intensifies the search for their solution.

In the creation of agrarian policy, the main responsibility lies with the executive bodies, as well as economic entities that perform the corresponding functions. In this regard, a kind of chain is built up: agrarian strategy - agrarian policy - state regulation - objects and subjects of regulation (Pazova, 2014).

Societies with different historical and cultural legacies, different customs and traditions use different approaches and methods of effective state regulation of the economy. A generalization of the research of domestic and foreign scientists made it possible to formulate methods of state regulation of the agrarian sphere of the economy.

The methods of state regulation are classified as follows:

- Direct state financial and credit regulation (government subsidies, subsidies, subventions, etc.);
- indirect financial and credit regulation (tax policy, credit and customs policy);
- Methods of production regulation (state orders, quoting, licensing);
- state entrepreneurship;
- programmatic management method.



The development and implementation of government programs involves the use of all methods in a complex.

It is important to note that pricing policy is a fundamental direction of state regulation of the economy. The pricing principle is based on establishing the correct relationship between free market prices and government price regulation (Figure 1).

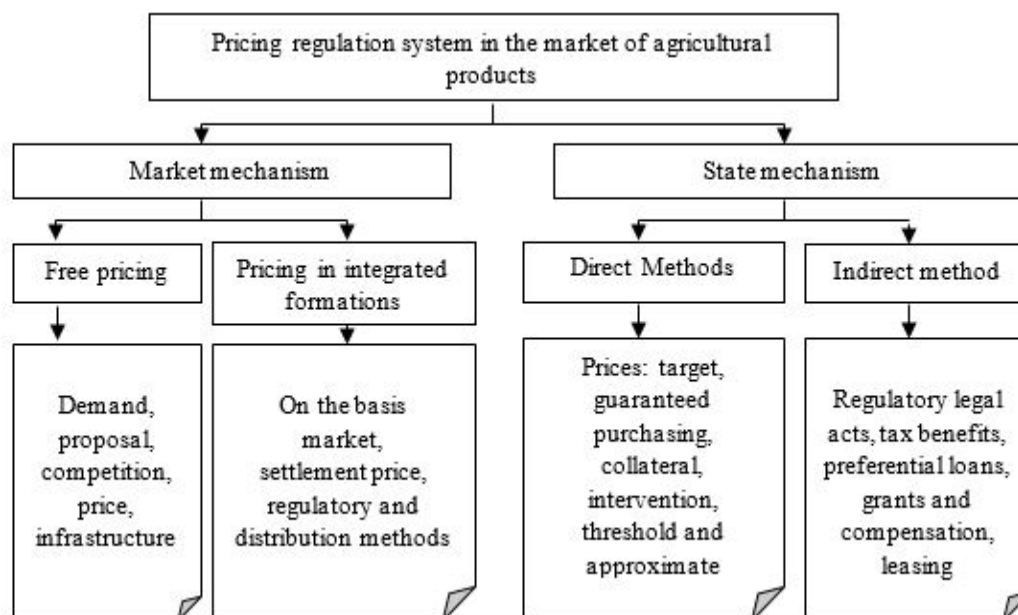


Figure 1. The system of regulation of price relations in the agricultural products market

Within the state, the regulation of prices is determined by the targeted influence of the regulatory subject represented by the federal, republican and local government agencies of the agro industrial complex on the object of regulation, ie, the market, its mechanisms (demand, supply, prices, etc.), the quality of goods, competition, infrastructure, organizational and legal and economic conditions for its dynamic development. At the same time, measures are envisaged to influence the mechanism of setting prices for agricultural products and products of its processing to ensure efficient management of commodity producers and a sufficient level for consumption of agricultural products by the population.

During the research, direct and indirect measures of state influence on prices were determined. Direct are established by a certain pricing regime, indirect ones are caused by changes in the market conditions, the situation in the sphere of finance, taxation, currency operations, and labor remuneration. The state uses price levels that can balance the supply and demand system, guarantee agricultural producers profitability that will allow them to expand existing agricultural production and resolve reproduction issues. In this regard, the solution of these problems can be associated with the introduction of a system of government procurement prices, which include targeted, guaranteed, collateral and threshold prices (Figure 2).



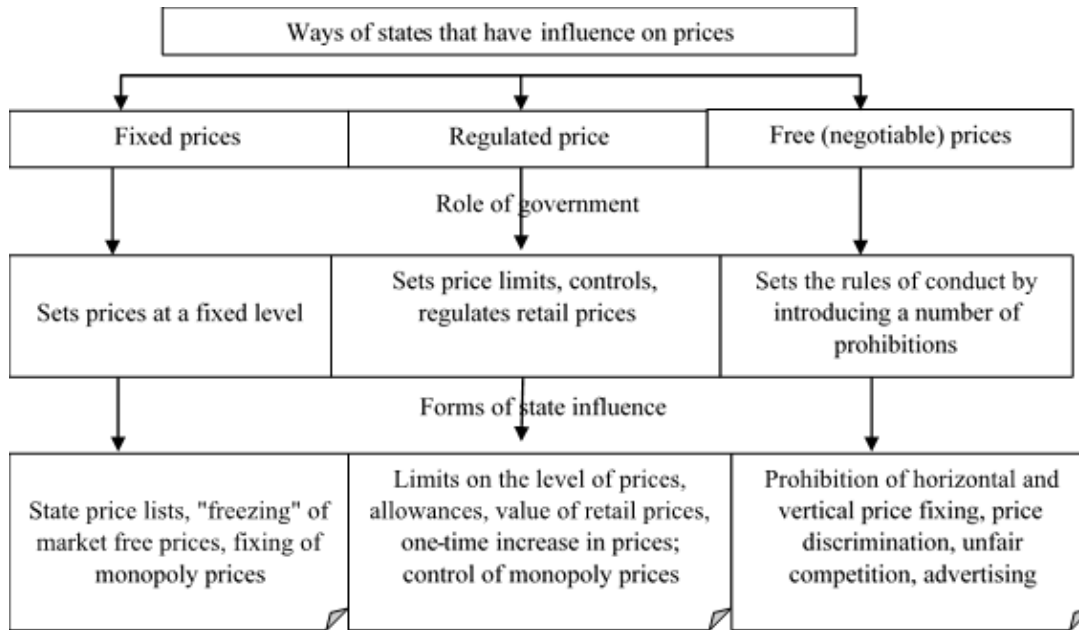


Figure 2: Ways to influence the state on prices \*

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Currently, the pricing policy of the state is based on a concept that does not take into account the specific features of the economic development of the subjects of the Russian Federation, but at the same time the need to provide an equivalent inter-industry exchange, arises.

The study determined that the state policy in the field of pricing includes the following points:

- objective and subjective factors of agricultural development dictate the need to introduce a system of prices regulated by the state, along with free market prices;
- in the practice of pricing it is necessary to use parity indices and parity prices, in particular, to reduce the gap between prices for agricultural and industrial products;
- regulation of prices for agricultural products should work to maintain the standard of living of the population at a decent level.

At the same time, it is noted that one of the most effective mechanisms for effective state regulation of the economy today is the state's monetary policy. At the same time, we agree with the statement of S. Gubanov "Russia can ensure high rates, the high-quality of economic growth in solving major historical problems, solely on the basis of a new industrialization and an adequate national economic system the main task is seen in shaping the driving force behind the neo-industrial development of Russia" (Gubanov, 2014).

The analysis of the specifics formation of the agro industrial Complex Development Programs shows that it contains a lot of uncertainty, related to the amount of financing for a particular direction of the AIC development, so only the amount of financing is indicated, which, if fully used, would lead to the development indicators indicated in the program. In the opinion of G.V. No-till (No-till, 2014) methodological approach to the construction of the State Program for 2008-2012. was to reflect in it only those branches and sub-sectors of the agro - industrial complex, for which state support measures were implemented and budgetary funds were provided. As a result of the program, the developing disproportions inside the agro-industrial complex worsened.

In recent years, work on long-term forecasting and strategic planning of the economy has been activated. Thus, the Law "On Strategic Planning in the Russian Federation" considers the following types of planned activities: goal-setting, forecasting, planning and programming. In the opinion of K.P. Lichko (Lichko, 2007), the most important feature of the plan is strict certainty, and after concluding contractual obligations - directness.

## CONCLUSION

In the scientific world, the directions of the emergence of the agrarian economy from the crisis state are actively discussed, using various approaches in the organization and management of the agro industrial complex. According to S. Gubanov (Gubanov, 2014), p. Allowing systemic crisis of the post-reform Russia, it is possible only as the formation of a new system of reproduction - an integrated and planned-controlled, able to unite in a common organizational form of intermediate and final production release for you high-technology, high-end products of final demand with a high share of added value; containing effective incentives to reduce costs, increase productivity and improve the quality of goods; mobilizing the mighty, indestructible driving force of creation and the rise of the economic power of our country.

It can be argued that the problems of the agro-industrial complex are of a systemic nature and their solution is seen in a symbiosis of two directions: organizational-economic and socio-economic, and here the methods developed in solving systemic economic challenges play an important role. Russia has a historical economic scientific heritage, in particular, the way out of the economic crisis in the 20-30's. the last century, based on the theory of inter-branch balances SG. Strumilina (Strumilin, SG Planning Problems in the USSR, 1932), the use of the "input-output" theory. Leontief (Leontief, 2007) and a number of others. It seems to be most effective to use them, since they are approved and have scientific schools as their followers in our country. However, their use should be recycled, taking into account the multifaceted nature of the agrarian sphere of the economy, the diversity of forms of ownership. The state here should act as the initiator and coordinator, which forms the core of the planned management of the reproduction process. At the initial stage of the formation of such a system of reproduction, it is also necessary to formulate effective incentives for lowering costs, increasing labor productivity and improving the quality of goods.

### *Summary*

As Said et al., (2017) declared agriculture plays an important role of the entire national economy. In our opinion, the peculiarities of managing state regulation of the agrarian sector of the economy are: First, the distribution of functions of the state and economic management of federal, regional and municipal government authorities; second, the predominance in the management of economic methods; third, the application of foreign experience without taking into account the peculiarities of domestic agricultural production. The main measures to improve the state management of the agrarian sector of the economy are:

- 1) the systematization of priority goals of state management of the agrarian sphere of the economy;
- 2) ensuring the implementation of the principles of agricultural production;
- 3) systematization of methods of state management of agrarian production;
- 4) control of the achievement of the objectives of the management of the agrarian sector.



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