

FOREIGN EXPERIENCE OF GOVERNMENT REGULATION OF AGRICULTURE

Abstract

The article considers foreign experience of government regulation of agro-industrial sector of the economy and possible ways to apply measures of state support to producers. Government regulation measures should meet the interests of domestic producers, processors and consumers of food products. The task of public administration is to ensure optimal proportionality of organizational and economic mechanisms for functioning and development of the food market. To solve the identified problems, there is a fairly wide arsenal of regulatory methods, which can be divided into organizational and economic methods of regulation. Government regulation of the agro-industrial sector of the economy through comprehensive support for producers is a priority of agricultural policy not only in industrial countries, but also in developing countries. Unlike foreign countries, in Kazakhstan, the government does not actively participate in regulating the price disparity and the price situation in the market. Despite the fact that Kazakhstan is in somewhat different conditions, the experience of industrial countries is very useful for further use, especially for supporting producers in order to strengthen and further sustainable development of the Kazakh agro-industrial complex, as well as government intervention in the pricing processes in the food market. The development of an effective agricultural policy based on foreign experience and the full-scale implementation of all developed measures to support agriculture with sufficient funding should be a good incentive for the accelerated development of the agro-industrial complex and increase the competitiveness of food products.

Key words: agriculture, foreign experience, price regulation, state support, food risk, producers, agricultural policy, competitiveness.

Government regulation of the agricultural sector is a complex mechanism that includes tools to influence the income of farmers, the structure of agricultural production, and the agricultural market, intersectional and inter-farm relations in order to create stable economic, legal and social conditions for the development of agriculture, to meet the needs of the population in quality products by reasonable prices. It is a system of levers and incentives that helps the government to participate in market processes as a subject of market relations, ensuring sustainable development of agricultural production.

Currently, against the background of ongoing processes, the issue of the development of the agricultural sector of Kazakhstan is particularly acute. The experience of foreign countries in this area shows the high the role of the government in the formation and operation of an effective market mechanism.

The most widely used measures of state support for agriculture in foreign countries, grouped by target were studied and generalized by V. Nazarenko and A. Paptsov [1]. They are divided into measures of direct and indirect state subsidies.

The measures of direct government subsidies include support for the income of agricultural producers, which consists of:

- ◆ direct state compensation payments;
- ◆ payments for damage caused by natural disasters;
- ◆ payments for damages related to the reorganization of production (payments for reduction of acreage, forced slaughtering of livestock, etc.).

The measures of indirect government regulation of agribusiness include:

- ◆ price intervention in the food market by supporting domestic prices for agricultural products;
- ◆ compensation of expenses of agricultural producers on acquisition of means of production by providing subsidies;
- ◆ promotion of market development, providing the allocation of public funds for the implementation of market programs, storage and transportation of products;
- ◆ assistance in development of industrial infrastructure, which involves the allocation of public funds for long-term measures that increase production efficiency.

In the structure of government subsidies of foreign countries, the largest share is taken by funds to support prices. Modern concepts of pricing for agricultural products in developed market economies provide for active government intervention in the formation and regulation of prices.

The policy of agricultural prices and farm incomes in industrial countries involves, first of all, monitoring the dynamics of a number of economic indicators:

- ◆ production costs by group of specialized farms (EU) or by the type of production (USA);
- ◆ price parity for industrial and agricultural products;
- ◆ profitability of farms and industries [2].

The result is a detailed information and statistical data system that is necessary, first, for regular influence on market prices and, second, for influence on production, income levels, savings, and investment.

The general basis for pricing in the agrarian industry of foreign countries is to bring into line the purchase prices for agricultural products and socially necessary costs for its production and sale. At the same time, they try to take into account the level and dynamics of world prices. The most important function of the price remains the regulation of agricultural income for the further development of the industry. The pricing system provides for operational tracking of the dynamics of prices for means of production, costs and income in agriculture, prices for final products and services of the agro-industrial complex.

The main content of the agricultural policy of industrial countries is government support for agricultural sector through various types of subsidies, grants and benefits. Despite the fact that in some countries public financial investments in agriculture are 1.5–2 times higher than the market value of its products, public authorities continue to support their agricultural producers at the expense of taxpayers.

In agro-industrial countries, agriculture remains subject to government support and regulation. This is evidenced by the value of the equivalent of subsidies to the producer (producer subsidy equivalent – PSE), which is used as a generally accepted indicator in the Organization for Economic Co-operation and Development (OECD) of the integrated assessment of the level of government regulation of the agricultural sector. It is the ratio of the difference between the domestic price of a given type of food product, including subsidies and taxes, and the world price to the price of that type of food on the world market. The value of this indicator in the 1990s in the USA and Canada was 50%, in Australia – 45–55%, which indicates a significant level of state regulation of the agricultural sector, despite the high degree of liberalization of the economy of these countries [3]. According to the notification data for 2012, 72 types of products were supported in the United States, including cereals, fruits and berries, vegetables, meat, milk, greens, and nuts. For comparison, there were 26 such products in 2004 [4].

Tax regulation refers to methods of direct influence of the government on the development of the economy. However, the current tax system is imperfect and does not stimulate the development of the agro-industrial complex and increase its economic efficiency. Therefore one of the least painful mechanisms of state support for this sector is facilitated taxation of agricultural producers.

Government support for agriculture and the food industry has played a major role in the sharp increase in food production in the countries that are currently the largest exporters – the United States, Canada, and the EU. In the United States, the “Great depression” of 1929 caused the greatest damage to the agricultural sector, as there was a price disparity between industrial and agricultural products, and a sharp drop in prices and sales volumes led to the debt of farmers and the collapse of banks that financed them. The government’s attempts to improve the market situation by conducting interventional purchases had not the desired results. Then the Government decided to create a market infrastructure that could protect domestic producers. In 1933, the US Congress approved the agricultural program and “On the regulation of agriculture” and “On farm mortgages” laws. It was declared a moratorium on farm debt, and at the same time the national social assistance system was legislated. In the following years, many other regulatory acts were adopted to regulate the market, but the most important and effective measure was the creation in 1935 of a special Fund for financing food aid programs, which was supplemented by deductions from import duties.

We consider it necessary to note the fact that the timely creation of an effective legal framework for regulating agrarian policy was the impetus for the rise of US agriculture. Since the 1930s, every 5 to 7 years, the so-called Farm Bill (The law “On agriculture”) has been adopted, which in the most detailed way defines US policy in the field of agriculture for the medium term. Kazakhstan also needs to provide a legal framework for state support of agriculture.

In the same 1930s, in the US, two food aid programs were adopted: food stamps for the poor and school Lunches, which became the largest in terms of funding from the budget of the Ministry of agriculture. These programs have led to the creation of a unique mechanism for maintaining the capacity of the domestic food market and regulating it.

Currently, government support for US agriculture in the field of pricing is carried out in the following form:

- ♦ target (guaranteed) prices, that apply to the most important types of agricultural products. The level of target prices is calculated so that they guarantee a level of income for self-financing extended reproduction on farms with medium and low cost levels. Farm products are sold at market prices, which may be higher, lower, or equal to the target prices, but at the end of the year, and sometimes during the year, the farmer receives the difference between the target price and the sales price, if the latter is lower. Thus, it is the target price for farmers that is the final sale price, which is called guaranteed;

- ♦ collateral prices (collateral rates). Farmers deposit all their produce at a fixed price to the Commodity credit Corporation (TCC) if market prices are lower than the collateral price. In accordance with the provisions of the Agricultural law of 1985, the US farmers are granted the right to sell their products on the free market, sell them under contracts, Deposit them directly on the farm in anticipation of higher prices on the market, and Deposit them with the TCC. In the latter case, the pledged products can be purchased by the farmer within 9 months. If this does not happen, it becomes the property of the TCC, and the farmer will receive monetary compensation for it at the collateral price (rate), less storage costs. The collateral price (rate) is the lower limit of guaranteed prices for agricultural products. If within 9 months the world prices are lower than the collateral rate, the farmer can buy the delivered products at the prices of the world market. Thus, the farmer receives a net profit due to the difference between the collateral rate and the price of the world market [2, p. 47].

Special attention should be paid to the US experience in subsidizing agriculture. US budget expenditures on agriculture depend on the economic situation: in crisis years, their value increases sharply, and in more stable periods, the level of government subsidies significantly decreases. However, since the late 1980's, the US agricultural policy provides for a reduction in the level of subsidization of the agricultural sector. The US government has abandoned a number of programs and reduced the amount of funding to support them. It should be noted that the largest share of aid (about 70% of the budget) is received by large farms that ensure high efficiency of production, and in fact, budget funding covers one third of American farms.

In Canada, an effective mechanism for regulating the food sector has also developed in the context of the crisis, under the influence of the American experience. Canada's agricultural policy has been shaped by tough competition from the United States, where climate conditions are much better. A characteristic feature of Canadian Federal policy is mandatory government regulation of trade of basic agricultural products, especially grain, milk and poultry products. Other agricultural markets are regulated by provincial governments. The Government fully controls exports and the price level in the domestic market, which avoids competition with American manufacturers.

The organizational structure of agriculture in Canada is based on maintaining the priority of the interests of domestic producers. Thus, producers of products such as meat, potatoes, and vegetables have a monopoly on wholesale trade. There are producer associations and cooperative unions in various industries and sub-sectors that play an important role in regulating the food market. They act as a link between producers and administrative authorities. The Ministry of agriculture directs subsidies and grants through such associations, as well as provides them with loan guarantees. Associations, in turn, assist Federal and provincial governments in developing sectoral policies in the field of agricultural production and trade. To carry out regulatory functions, the Government has created a specialized

management infrastructure – various Federal corporations (the wheat administration, the dairy products Commission, the poultry products Council, the grain Commission, the agricultural credit Corporation) that provide professional management of the most important industries and are personally responsible for the state of food markets.

In most countries that highly developed in the agro-industrial sector, expenditures on basic and applied research in the field of agricultural problems, professional training and retraining of personnel, information support, environmental protection, food quality control, etc. are increasing.

A special feature of state support for agriculture in the European Union is the implementation of the EU Common agricultural policy (CAP). The CAP is a set of measures aimed at ensuring food security in the EU countries, developing agricultural production, rural areas and rural lifestyle, implemented under the leadership of the Union's governing bodies and financed either fully or partially from the EU budget.

The framework of the CAP is based on intergovernmental agreements of the EU member States, within which the regulation of the Council of the EU on the unified organization of markets for agricultural products operates. The implementation of measures in agriculture approved by the EU Council for implementation is carried out under joint management at two levels – at the EC level and at the level of the EU member state. At the EC level, legislative and financial support for the office is provided, and the measures taken are implemented at the country level.

The single organization of EU agricultural product markets ensures that the interests of all stakeholders-producers, processors and consumers-are coordinated and respected.

In the EU countries, supranational price regulation applies to agricultural products, covering about 15% of prices [5]. Decisions about the level of the maximum and minimum prices and support prices for agricultural products the Council of Ministers of the EU, composed of Ministers of agriculture of member countries on the proposals of the Committee of European community (CEC). Price regulation is carried out with a differentiated approach and allows you to regulate the levels of income and savings of farmers, and therefore the reproduction process in agriculture.

The most important role plays intervention (intervention price), target (control or oriented) and threshold prices. Intervention is the minimum guaranteed price at which the EU is obliged to buy farm products. It applies only to a certain number of products (there are restrictive quotas for sugar, cotton, grain, milk, rapeseed, tomato products, sunflower, durum wheat and raisins). The target price is the desired wholesale (market) price for the areas with the greatest shortage of this type of product in the EU.

Based on the target, the level of the threshold, upper, and price border is determined. When calculating the initial level of the threshold price, transport costs are added so that it is slightly higher than the target price. This protects domestic farm prices from the external pressure of lower world prices. In addition, when importing food products to the EU, the state sets a compensatory customs fee, the amount of which constantly changes depending on the level of world prices and represents the difference between a strictly fixed threshold price and the world price. As a result, the world price, taking into account customs duties and transport costs, rises to the target price within the EU.

Thus, the policy of regulating farm prices is based on the principle of preferential provision of farm income through the market and the price at the expense of the consumer. Financing of agriculture is carried out by artificially inflating prices in comparison with world prices and measures of agricultural protectionism. The growth of support prices is constantly compared with the rate of inflation in the EU countries, and the government authorities of the EU countries monitor the cost of production of farmers, track the price indices for crop production, livestock, goods, services and capital investments consumed in agriculture to justify the cost prices.

The national pricing mechanism in the EU is somewhat different than in the US: target or reference prices are set at a relatively high level, guaranteeing medium-sized and large-scale farms a certain level of income. The minimum price function is performed by intervention prices. At these pre-fixed prices, agricultural products are purchased from farmers by public procurement organizations, which is an effective means against reducing market prices below the established minimum.

In addition to the price mechanism, common EU rules for organizing and regulating markets for agricultural raw materials and food include control over the provision of national budget subsidies, as well as European measures aimed at ensuring the income of producers, maintaining a certain level of retail prices, which makes it possible to unify the conditions of competition in both production and sales.

In the EU, national grants are provided within the framework of the pan-European grant policy in accordance with its principles. Any other assistance that creates most-favored-nation conditions within a particular country is prohibited. This type of assistance includes: price interventions (price surcharges), regulation of production volumes, and high compensation for export products. At the same time, the national government participates in financing and implementing measures to improve the quality of products, ensure veterinary supervision, introduce scientific and technological progress, protect the environment, stimulate production in so-called problem areas, and ensure a minimum level of income for small farms.

Thus, the European policy in the agricultural sector is aimed at clearly organizing sales markets, maintaining farm incomes, helping to sell surplus products, and solving a number of other problems.

Interesting experience in the field of government price regulation has Austria, which was introduced after the Second World War due to the difficult state of the economy. At the first stage, it covered almost all goods and services, but as the economic situation in the country normalized and the market mechanism for self-regulation became established, the list of regulated goods gradually decreased.

In 1976, the law “On prices” was adopted, which defines a list of goods and services for which the Minister of economy has the right to set maximum, minimum and firmly fixed prices. In practice, maximum prices are mostly set, i.e. the upper maximum allowed level. The law also provides that in the event of a crisis, the Ministry of economy and the Ministry of agriculture and forestry can regulate prices for almost any goods during the crisis period.

For a number of goods of foreign origin (fruit, vegetables, potatoes, coffee, cocoa, fertilizers and feed), the law establishes a General principle of price formation on the domestic market, according to which their level should not exceed the actual purchase import prices increased by the amount of economically justified costs and profits of the importer. When goods are imported into the country, the importer is charged import tax at the same rates as the domestic turnover tax. The regulatory and protective function is performed by the customs tariff, which provides a diversified regime for certain goods. Restraining imports is carried out through relatively high rates of duties with their progressive increase depending on the degree of processing of the goods. This experience can also be applied in Kazakhstan to curb the flow of imported food products.

Prices for milk, grain and meat are regulated in Austria by setting basic minimum and firm purchase prices. Monitoring of compliance with the established price level is the responsibility of local administrative district authorities and the police, and violations are punishable by large monetary fines. In addition to the current control, targeted checks are carried out-raids of certain groups of products. In General, the system of state regulation of prices in Austria has historically been built into the so-called “social partnership” mechanism, which consists in coordinating on a parity basis the most important economic and social problems between the government, entrepreneurs and workers. In Austria, prices may vary depending on the category of retail or catering establishments, but according to the law, the difference in the price level at enterprises of the same category located in the same region should not exceed 5–10%.

At the same time, a number of developing countries, especially China, consider the strengthening of the government’s role in the agricultural sector as the most promising direction of agricultural policy, in order to ensure national food security and maintain a high export potential of agricultural products through effective administrative and economic levers. At present, despite a number of internal socio-economic and environmental problems, China demonstrates high indicators of agricultural and food production, conducts an active social policy in rural areas, and has a significant impact on the global food trade environment. This was made possible by a flexible combination of administrative

and economic measures in the system of state regulation of agriculture, which are constantly evolving in the direction of improving the efficiency of the industry and the sustainability of food supply to the population.

The experience of state regulation of agriculture in China can be used in Kazakhstan for the reason that both countries have significant territories, diverse soil and climate conditions, and in the period preceding the economic transformation, similar production and political relations were common in the economies of both countries.

In the structure of government regulation of agriculture in China, the most developed tools of fiscal, financial-credit, price, tax and foreign trade policy. Since China's accession to the WTO in 2001, the government has been increasing its financial resources annually to develop agricultural production and increase peasant incomes [6].

The instruments of direct government support in the form of subsidies were mainly used to support the priority grain industry, the development of production infrastructure, the social sphere of the village, education, the implementation of environmental programs and the fight against natural disasters.

Financial and credit regulation of China's agriculture is carried out by the Agricultural Bank, the agricultural development Bank and the State development Bank. These banks provide loans for the purchase of basic agricultural products, their storage, processing, assistance to poor rural areas, and resource development. The second most important channel of agricultural credit in China was rural credit cooperatives, which turned into commercial banks in the early 2000s in order to better meet the needs of farmers.

Price regulation in the agricultural market also played an important role in the development of agriculture in China at the initial stage of economic transformation. It was aimed at creating favorable conditions for family Contracting, reducing the price disparity, increasing agricultural production and stimulating the process of transition to the market by introducing mandatory state supplies and additional public procurement, increasing purchase prices for grain and other products.

Further, price regulation took the form of introduction of guaranteed prices, deepening the reform of the system of state orders at contract prices, and helped to maintain the compliance of purchasing price indices for products and means of production, which is why in China, the price disparity between agricultural and industrial products is not widely spread. Over the course of economic reforms, a feature of China's agricultural tax policy has been a gradual reduction of the tax burden. The peasantry was exempt from agricultural tax, slaughtering tax, and tax on special types of agricultural products. In addition, all types of rural deductions were canceled.

After joining the WTO, China had to liberalize the foreign trade regime, which led to a reduction in the level of the customs tariff for agricultural products. However, despite the WTO's demands to abolish the government's monopoly on agricultural imports, the PRC still controls export-import operations in relation to corn, wheat, rice and sugar through state-owned trading corporations. One of the most common tools for foreign trade regulation of agricultural products in China is the VAT refund, which allows the state to quickly make decisions in accordance with the changing conditions of the world food market.

Foreign experience in regulating the food market, which, in our opinion, is applicable in Kazakhstan, is presented in Table 1 (p. 86).

Unlike foreign countries, in Kazakhstan, the state does not actively participate in regulating the price disparity and the price situation on the market. We believe that state regulation measures should meet the interests of domestic producers, processors and consumers of food products.

The development of an effective agricultural policy based on foreign experience and the full-scale implementation of all developed measures to support agriculture with sufficient funding should be a good incentive for the accelerated development of the agro-industrial complex and increase the competitiveness of food products.

Table 1 – Foreign experience on government regulation of agriculture, applicable in Kazakhstan

Country	Measures of Government support	Ways of Implementing in Kazakhstan
USA	The mechanism of mortgage rates	To Create a state body that will accept products from agricultural producers as collateral at a fixed collateral price (rate) if market prices are lower than collateral prices.
	Supporting farmers' income	To calculate the level of target (guaranteed) prices so that they guarantee farmers a level of income for extended reproduction, and at the end of the year pay to farmers the difference between the target price and the sales price, if the latter was lower
Canada	The establishment of an effective management infrastructure	To carry out management functions, create a system of various bodies under the Ministry of agriculture that monitor and bear personal responsibility for the state of individual food markets
Austria	Tax and customs tariff regulation of imports	To charge import tax for importer at the same rates as the domestic turnover tax, as well as to set high rates of customs duties with their progressive increase depending on the degree of processing of the goods
	Price regulation	To adopt of the law on prices, which defines a list of strategically important types of food products, gives the Minister of economy the authority to set maximum, minimum and firmly fixed prices for goods from this list
China	Preferential taxation	Exemption of farmers and farmers from agricultural tax and other deductions: to the social Fund, etc.
	Foreign trade regulation	Refund VAT to agricultural producers-exporters of food products
Note – Developed by the author.		

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Аңдатпа

Мақалада экономиканың агроөнеркәсіптік секторын мемлекеттік реттеу бойынша шетелдік тәжірибе және өндірушілерді мемлекеттік қолдау шараларын қолданудың ықтимал жолдары қарастырылады. Мемлекеттік реттеу шаралары отандық азық-түлік тауарларын өндірушілердің, қайта өңдеушілердің және тұтынушылардың мүдделеріне сай келуге тиіс. Мемлекеттік басқарудың міндеті азық-түлік нарығының жұмыс істеуі мен дамуының ұйымдық-экономикалық тетіктерінің оңтайлы тепе-теңдігін қамтамасыз ету болып табылады. Анықталған проблемаларды шешу үшін реттеудің ұйымдық және экономикалық әдістеріне бөлуге болатын реттеу әдістерінің жеткілікті кең арсеналы бар. Өндірушілерді жан-жақты қолдау жолымен экономиканың агроөнеркәсіптік секторын мемлекеттік реттеу дамыған елдерде ғана емес, дамушы елдерде де аграрлық саясаттың басым бағыты болып табылады. Шет елдерден айырмашылығы, Қазақстанда мемлекет баға диспаритетін және нарықтағы баға жағдайын реттеуге белсенді қатыспайды. Қазақстанның бірнеше өзге жағдайларда тұрғанына қарамастан, дамыған елдердің тәжірибесі одан әрі пайдалану үшін,

әсіресе Қазақстандық агроөнеркәсіптік кешенді нығайту және одан әрі орнықты дамыту, сондай-ақ азық-түлік нарығындағы баға белгілеу процестеріне мемлекеттік араласу мақсатында өндірушілерді қолдау үшін өте пайдалы. Шетелдік тәжірибе негізінде тиімді аграрлық саясатты әзірлеу және жеткілікті қаржыландыру кезінде ауыл шаруашылығын қолдаудың барлық пысықталған шараларын толық ауқымда іске асыру агроөнеркәсіптік кешенді жедел дамыту және азық-түлік өнімдерінің бәсекеге қабілеттілігін арттыру үшін жақсы ынталандыруға айналуы тиіс.

Тірек сөздер: ауыл шаруашылығы, шетелдік тәжірибе, баға реттеу, мемлекеттік қолдау, азық-түлік тәуекелі, өндірушілер, аграрлық саясат, бәсекеге қабілеттілік.

Аннотация

В статье рассматривается зарубежный опыт государственного регулирования агропромышленного сектора экономики и возможных путей применения мер государственной поддержки производителей. Меры государственного регулирования должны отвечать интересам отечественных производителей, переработчиков и потребителей продовольственных товаров. Задача государственного управления состоит в том, чтобы обеспечить оптимальную пропорциональность организационно-экономических механизмов функционирования и развития продовольственного рынка. Для решения выявленных проблем существует достаточно широкий арсенал методов регулирования, который можно разделить на организационные и экономические методы регулирования. Государственное регулирование агропромышленного сектора экономики путем всесторонней поддержки производителей является приоритетным направлением аграрной политики не только в развитых, но и в развивающихся странах. В отличие от зарубежных стран, в Казахстане государство не принимает активного участия в регулировании диспаритета цен и ценовой ситуации на рынке. Несмотря на то что Казахстан находится в несколько иных условиях, опыт развитых стран весьма полезен для дальнейшего использования, в особенности для поддержания производителей с целью укрепления и в дальнейшем устойчивого развития казахстанского агропромышленного комплекса, а также государственного вмешательства в процессы ценообразования на продовольственном рынке. Выработка на основе зарубежного опыта эффективной аграрной политики и полномасштабная реализация всех проработанных мер поддержки сельского хозяйства при достаточном финансировании должна стать хорошим стимулом для ускоренного развития агропромышленного комплекса и повышения конкурентоспособности продовольственной продукции.

Ключевые слова: сельское хозяйство, зарубежный опыт, регулирование цен, государственная поддержка, продовольственный риск, производители, аграрная политика, конкурентоспособность.