

Agribusiness in rural areas: Management Issues

Shamil M. Gazetdinov*, Mirsharip Kh. Gazetdinov, Olga S. Semicheva and Adel M. Badamshin

Kazan State Agrarian University, Kazan, 420015, Russia

Abstract. The present article analyzes the trends determining the development of agribusiness in rural areas at the present stage of economic development, and highlights the new and most relevant features of its organization and management. At present, one of the important trends in the development of agribusiness in rural areas is the deepening process of production specialization with a simultaneous increase in the concentration of production and financial, industrial and commercial capital. The production specialization has an active influence on the structure of the sectors interacting in agribusiness in rural areas, which is manifested in the following situation. The size and number of agricultural enterprises is increasing and their number is gradually decreasing, while the total area of agricultural land owned by peasant (private) farms is gradually decreasing. According to the Ministry of Agriculture and Food of the Republic of Tatarstan, the total number of agricultural enterprises in 2007 was 751, including 607 profitable and 81 unprofitable ones. The overall profitability was 8.9 %. By 2018, the number of farms decreased to 486, out of which 443 were profitable, 43 unprofitable ones. The level of profitability for these farms was 9.6 %. Simultaneously with the decline in the number of agricultural enterprises, the population employed in agriculture was also declining. At the same time, in 2007, 104.9 thousand people were employed in agriculture, which equaled to 11 % of the rural population; by 2018, employment in agricultural activities decreased to 59.4 thousand people, which was 6.6 % of the rural population. With the deepening of specialization, the complexity in the organization and cooperation of activities in the agribusiness system has increased. Individual producers have lost their independence. They largely depend on related participants. In these conditions, the problem of centralized coordination and regulation arises and the role of administrative management is strengthened to ensure the coordination of specialized activities. In the food policy pursued by the state, an increasing number of agrarian business entities are forced to apply directly to the government for resolving certain issues related to land use regulation, environmental protection, etc.

1 Introduction

The development of agricultural production concentration and its integration with financial, industrial and commercial capital manifested itself in the strengthening of technological, economic and social relationships between agriculture and industry and the financial sector of the economy, in a serious organizational restructuring of agriculture (first of all, in strengthening the centralized coordination of its specialized links), the emergence of new forms regulating the integration process of agriculture and the financial, industrial and commercial sector of the economy.

The totality of all operations on the interaction of agriculture and industry producing and selling means of production for agriculture, production operations in agriculture itself and operations for storage, processing and sale of farm products occurring in rural areas can be summarized by the concept of "agribusiness in rural areas".

Quite a lot of serious domestic studies are devoted to the analysis of the structure of the sectors interacting in

the rural areas of the Russian Federation, the issues of state regulation in this sphere of the economy, organizational forms of agro-industrial integration.

2 Materials and methods

However, a number of new moments have appeared recently in the organization and management of agribusiness, associated with the intensive course of the integration processes of agriculture, trade and industry, with the search for sales markets in conditions of overproduction of certain types of agricultural products.

The most important is the regulation of the links between production and the socio-economic development of rural areas and the final consumption of products of the industries operating in agribusiness.

An increasingly important role in the agribusiness of rural areas is acquired by the federal government making attempts to coordinate the efforts of industries integrated in agribusiness in the interests of further integrating agriculture with financial, industrial and commercial capital and socio-economic development of rural areas [1].

* Corresponding author: gazetdinov.shamil@yandex.ru

One of the important trends in the development of agribusiness in rural areas at present is the deepening specialization of production amid a simultaneous increase in the concentration of production and capital. The specialization of production has an active influence on the structure of the sectors interacting in agribusiness in rural areas, which is manifested in the following.

The size and number of agrarian formations are increasing and the number of agricultural units is gradually decreasing, while the total area of agricultural land owned by medium and small agricultural enterprises is gradually decreasing [2].

According to the Ministry of Agriculture and Food of the Republic of Tatarstan, the total number of agricultural enterprises in 2007 was 751, including 607 profitable and 81 unprofitable ones. The overall profitability level was 8.9 %. By 2018, the number of farms decreased to 486, out of which 443 were profitable, 43 – unprofitable ones. The level of profitability for these farms was 9.6 %. At the same time, the number of peasant (private) farms increased from 2,885 to 2,896, and the average size of a land plot was 103.7 hectares. As a result, in the structure of agricultural products of the republic, agricultural formations occupied 48.9 %, peasant (private) farms – 9 %.

Simultaneously with the decline in the number of agricultural enterprises, the population employed in agriculture was also declining. The rural population in 2007 was 954.3 thousand people, the share was 25.4 % of the total population of the republic and by 2018 the mentioned indicators decreased to 903.7 thousand people, which was 23.2 %. At the same time, in 2007, 104.9 thousand people were employed in agriculture, or 11 % of the rural population; by 2018, employment in agricultural activities decreased to 59.4 thousand people, which was 6.6 % of the rural population.

With the deepening of specialization and integration, the complexity in the organization and cooperation of activities in the agribusiness system of rural areas has increased. Some manufacturers have lost their independence. They depend intensively on related actors. In these conditions, the problem of centralized regulation arises, and the role of administrative management is strengthened to ensure the coordination of specialized activities.

In the food policy pursued by the state, an increasing number of entrepreneurs are forced to apply directly to the government for resolving certain issues related to land use regulation, environmental protection, etc.

The impact of specialization and integration on the structure of agribusiness in rural areas has led to the need to revise the notion of “uniqueness” of agricultural production. Agrarian entrepreneurs are not relatively independent in economic, political, social and other terms. The agriculture industrialization, the emergence of qualitatively new economic agro-industrial conglomerates, the decrease in the isolation of rural areas, the increased interdependence of highly specialized industries and services have transferred rural entrepreneurs to the category of “industrialists”, and agriculture in general – into a certain type of industrial activity.

At the same time, the entire institute for the management of rural areas including the State Committee for the Management of Municipal Formations in the Republic, the Ministry of Agriculture and Food of the Republic of Tatarstan, agricultural institutes, training centers and research stations in their activities proceed from the concept of “uniqueness” of rural areas and agricultural production. This is reflected in the policy of stable prices and incomes for agricultural entities, tax incentives, non-proliferation of a number of laws in the field of agricultural activities (hiring labor, restricting trade, etc.). The existing apparatus comes into conflict with the modern production and technological structure of entrepreneurship as a whole, which is a qualitatively new object of management formed on the basis of the integration of agriculture and the financial, industrial and commercial sectors of the economy.

At present, there is no decision on this issue. Specialized integrated agricultural formations must either be drastically changed or eliminated altogether. It is unclear as well, which governing bodies will lead agribusiness in the rural areas in the future. Rural municipal areas have lost control over agricultural policy issues. In particular, the Ministry of Agriculture and Food of the Republic of Tajikistan being the largest bodies of the republican government are no longer able to regulate the growing integration of agriculture with financial, industrial and commercial capital. The scope of its influence on the agricultural sector is gradually narrowing.

Currently, the Ministry of Agriculture and Food of the Republic of Tatarstan has 40 programs, out of which 30 programs imply the participation of rural facilities including “Sustainable Development of Rural Areas” with a budget of 2.02 billion rubles, “Objects of Social Welfare and Engineering Infrastructure” – 16.027 billion rubles and others – more than 3 billion rubles.

At the same time, measures to further expand the functions of the Ministry in terms of managing federal agricultural programs, studying consumer demand, insurance, monitoring programs related to foreign agriculture, developing export and sales markets for agricultural products, maintaining free competition are being taken.

However, this does not provide the necessary regulation of the processes taking place in the agribusiness of rural areas. Therefore, in order to strengthen state regulation of the entire agribusiness system in rural areas, there was created a state budgetary institution “Competence Center for the Development of Agricultural Cooperation in the Republic of Tatarstan” coordinating the information provision, consulting and methodological services (works) in the field of agricultural cooperation to organizations of the agro-industrial complex of the Republic of Tatarstan, Executive committees of municipal and urban districts, agricultural commodity producers, individual entrepreneurs, peasant farms and citizens having private subsidiary farming. The center participates in the organization and support of investment projects for the development of agricultural consumer cooperatives, organizations of the agro-industrial complex of the

Republic of Tatarstan, peasant farms of the Republic of Tatarstan.

3 Results and discussion

Nevertheless, the measures carried out in recent years have not solved the above problems. In the context of the integration of agricultural resources and financial, industrial and commercial capital, which is penetrating deeper into the sphere of agribusiness in rural areas, in the context of an increasingly strong dependence of production on the service sector, increasing competition and policies to force small and even medium-sized agricultural enterprises, as well as the so-called “rational farming” policy off the market, rural areas not only lost the subjects of agribusiness, but also were deprived of labor resources [3].

In addition, along with the reform of agriculture, the social sphere of rural areas has been changed in the following way: health care facilities were extended; school education system, libraries, etc. were optimized.

In other words, the objective economic process led to the concentration of financial and industrial capital in the agricultural sector, deep specialization of activities in agribusiness in rural areas. Thus, rural areas, having lost the signs of “uniqueness”, turned into an industrial organic element of “big business”.

It can hardly be expected that in the near future the problem of state regulation of sustainable rural areas and agribusiness development will be satisfactorily resolved. At the same time, the study of rural areas of the Republic of Tatarstan shows that agribusiness in rural areas functions and creates certain ways of coordinating its constituent organizational elements within itself [4].

One of the forms of interaction between various industries in agribusiness is the activity of cooperatives to supply agricultural entrepreneurs with the means of production and products marketing. In other sectors of the economy, the bearers of such interaction are dealer, whose functions are significantly expanded in comparison with the traditional ones (supplying with machines and fertilizers). The dealer provides insurance, technical and financial assistance, various consultations including the ones on management issues, quickly responds to changes in the agricultural equipment business.

The interaction of suppliers and consumers in agribusiness is implemented through contracts as well as on the basis of vertical integration. The latter is associated with the formation of a cluster with the participation of agro-industrial markets or trade enterprises on the basis of full ownership rights. The most common form of interaction in the field of agribusiness is a contracting relationship. In particular, in recent years, the need for agricultural machinery has been met through contracts with equipment manufacturers who manufacture them for special orders.

The system of contracting causes serious changes in agriculture itself, eliminating numerous intermediary links in selling agricultural products, stimulating the growth of its quality and standardization, contributing to timely processing and marketing [5].

Due to increased interaction on the basis of contracting, financial and industrial capital, participating in agribusiness, contributes to the deepening of specialization (fruits and vegetables processing, animals and poultry fattening, milk production, etc.), as well as further production socialization, close cooperation of agriculture and processing industry. Thus, functioning of large poultry farms involves the creation of a number of feed mills as well as slaughter, processing, etc.

Many scholars study the issues concerning structural changes and agribusiness regulation and caused by objective economic prerequisites. At the same time, the main areas of study are the processes occurring in agriculture and rural areas and resulting from the reform of the agrarian sector of the economy and the transformation of agricultural enterprises. The question of research is usually the following: “Who manages agriculture in rural areas?” The answer to this question is possible only if the concept of the control object is definite. Currently, the structure of agribusiness in rural areas has undergone qualitative changes. There is a simultaneous technical and organizational restructuring of all interconnected industries: elevator, storage and refrigeration facilities, dairy, preservation and other industries processing agricultural raw materials (more than 90 % of commercial agricultural products are industrialized). At the same time, the role of processing industrial sectors is increasing in deepening the specialization of agriculture, which is a raw material industry for them.

The supply and sales and trade sectors, both providing agriculture with machines, seeds, energy, chemical fertilizers, etc., and facilitating entry into the markets for commercial products are not less important [6].

Thus, we can say that agriculture has entered a new form of development, moved from the so-called individual business, when marketable products went directly from the agricultural enterprise to the consumer, to big business within the agribusiness system. This process is widely discussed in economics. It is generally positively assessed by the country’s agrarian economists but sociologists believe that the decrease in the influence of rural areas on the agrarian business is a negative phenomenon for various reasons.

Traditional agricultural production as a production element is not able to exist outside the agribusiness of rural areas. Simultaneously, it should be competitive in it. Integrated agrarian formations are increasingly replacing small and medium-sized agribusiness enterprises [7]. Their incomes are increasing, which allows large business entities to be at the level of the best scientific and technological achievements both in the field of production and in the organization of the economy. More and more, large business entities are recruiting people who have received not only an agricultural education but also finished management schools. It is believed that the larger the formation is, the more possible specialization and effective innovation is. In recent years, large integrated formations have largely shifted from self-financing to an external capital market. Thus, in the agro-industrial complex of the Republic of

Tatarstan, production is being modernized at the Kazan Dairy Plant, the processing capacity of which is 1,000 tons per day; investments are planned until 2021 in the amount of 3,800 million rubles. Large investment projects are being implemented in other municipal districts of the republics. Specifically, these are the construction of a dairy complex in OOO "Severnaya Niva" in the Bugulma municipal district of Tatarstan, with 3,977.8 million rubles investment volume; construction of a high-tech robotic complex at OOO "PMK" in the Sabinsky municipal district, with 1,697 million rubles investment volume, etc.

An econometric study of trends in the republic enables to establish the following regularities: a decrease in the number of agricultural enterprises from 751 to 486 (by 35 %), which is described by the following trend equation:

$$y = 754.53 + 131 \ln(x), \quad R^2 = 0.9209.$$

At the same time, there was a corresponding decrease in the number of workers employed in agricultural production from 99.1 thousand people to 55.1 (by 44 %). The trend is described by the following equation:

$$y = 100.03 - 4,301 x, \quad R^2 = 0.9756.$$

At the same time, investments in fixed assets in agriculture in the republic increased. In 2018 they amounted to 19.435 billion rubles, which is described by the following equation:

$$y = 28.33 - 3.827 x + 0.2397 x^2, \quad R^2 = 0.8479.$$

The analysis of the performance indicators shows that in the republic's agriculture, with a general decrease of 35 % in the number of medium and small agricultural enterprises by 2018, the revenues from the sale of products and services per hectare of arable land increased from 10.4 thousand rubles in 2007 to 31 thousand rubles in 2017. The trend is described by the following equation:

$$y = 6.92 + 2.13 x, \quad R^2 = 0.9442.$$

Thus, raising financial-industrial and private capital by large integrated formations leads to new forms of integration in agribusiness.

All this also affects the development of small and medium-sized businesses in the agricultural sector of the economy. Currently, there is a clear tendency for the formation of various forms of associations, cooperatives and other forms of partnership for the production and sale of specific types of agricultural products in rural areas.

Cooperatives are becoming the main producers of vegetables and fruit and berry products, occupy a special niche in the production of livestock products, operate in the field of marketing and transport services. Members of cooperatives can be individual personal subsidiary plots and peasant (private) farms, each with personal interests and needs. Cooperatives can operate in one production direction (technology) or cover municipal areas and natural and economic zones. The initial goal of organizing cooperatives was associated with the need to provide the cheapest and most economical way of supplying and entering the sales markets for small and medium-sized businesses in rural areas. The capital of the cooperative is created from either new contributions or general savings and income. Cooperatives receive a

profit on the invested capital, which is distributed among the shareholders according to the share of the invested capital. The role of cooperatives is currently increasing, which is explained by the desire of small and medium-sized businesses to strengthen their positions without direct subordination to large financial, industrial and commercial capital.

Analysis shows that the formation of cooperatives is becoming a convenient arena for agribusiness in rural areas, which are actively expanding and, apparently, will continue to grow in the future. It may well be that the process of expansion of cooperatives will have an adverse effect on individual subsidiary plots and peasant (private) farms and lead to contradictions between those operating in the same area of activity [8].

In the Republic of Tatarstan, in addition to the above forms of cooperation in the framework of agribusiness in rural areas, an important role is played by the so-called "Association of Farmers, Peasant farmsteads and agricultural consumer cooperatives of Tatarstan" being a voluntary organization of entrepreneurs in various types of activities, the main purpose of which is to coordinate entrepreneurial and protection of the legal and property interests of farmers, peasant households and agricultural consumer cooperatives in the Republic of Tatarstan.

The association is called upon to perform the following functions:

- ensure sustainable development of rural areas;
- increase employment and living standards of the rural population;
- improve the economic conditions for agriculture functioning;
- increase the competitiveness of agricultural products of farmers, peasant farmsteads and agricultural consumer cooperatives based on the modernization of agricultural production using advanced and promising technologies;
- ensure the accelerated development of the infrastructure of small businesses in the agro-industrial complex of the Republic of Tatarstan.

4 Conclusion

In general, agribusiness in rural areas currently covers the production of raw materials for the processing industry, as well as the very production of agricultural products and the service sector. Financial, industrial and commercial capital is actively penetrating the agribusiness of rural areas, an example is the company "August" being the largest Russian company for the development, production and information and technological support for the use of chemical plant protection products and located in Moscow. In 2018-2019 this company purchased 148 thousand hectares of land in the Republic of Tatarstan and is going to expand the sown area of grain and oilseeds. At the same time, the company is actively searching for new technological solutions in animal husbandry in order to maximize income, and is building large robotic dairy farms. In the near future, it is planned to optimize the livestock, aimed at increasing productivity and gross milk production.

Thus, the spontaneously evolving various forms of interaction of individual elements of the agribusiness system in rural areas and the search for new technological solutions, of course, cannot solve all the problems. The antagonism between the emerging large agrarian entrepreneurs and entrepreneurs of small and medium agrarian businesses is becoming ever clearer. There is still the problem of regulating the process of overproduction of agricultural products. The number of unemployed in rural areas is growing as a result of the official state program “rational agriculture”, which is actually the displacement of small and medium-sized businesses, there is no proper regulation of the relationship between various spheres of agribusiness in rural areas, which is difficult to implement within the framework of the market economy.

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