

Implementation of rural economy sustainable development policy

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Abstract. The rural economy in modern conditions of the country's food security doctrine and import substitution policy is one of the main directions of socio-economic development of any society. The problems of sustainable development of the rural economy and the increase in growth indicators of the subjects of agrarian business are particularly interesting as a fundamental direction that ensures the socio-economic stability in rural areas. The paper identifies modern systemic issues that restrain the implementation of the sustainable development policy of the rural economy, and develops priority directions to ensure the efficiency of the agricultural sector of the economy in modern conditions of external and internal socio-political challenges. The paper contains the results of the analysis of volumetric indicators and growth rates of agricultural production, the level of performance of the state target program indicators for recent years, identifies the development trends, priority directions that ensure the efficiency of the rural economy, proposes organizational and economic measures to guarantee the production growth and increase the efficiency of agrarian production, intensify investment activities and strengthen state support for the rural economy.

1 Introduction

The Russian economy in modern socio-political conditions desperately needs the aggressive development rates in all production and servicing sectors of the national economy. One of the most important directions in achieving the socio-economic stability of the country is the sustainable progressive development of the rural economy, which provides the population with basic necessities and forms the country's food security. With the development of human society accompanied by the population growth, there is an urgent need for a continuous increase in the volume of food products and goods directly related to the growth of the agricultural potential as a raw material base of the economy for the processing industry. Currently, agricultural business is one of the priority areas that strengthens the rural economy and develops rural areas. It performs socially important functions to ensure socio-political stability in rural areas based on increased business activity and employment of the rural population. The problems of agricultural business development are fully demonstrated at all levels of management of the socio-economic processes of the modern society. This situation forces to give the development of the agrarian economy the status of one of the priority national projects aimed at implementing promising tasks not only for the development of agricultural production, but also turning the agricultural sector into an attractive sphere of activity thus creating favorable living conditions in rural areas. The priority areas for the development of the agricultural sphere of life, first of all, imply the steady provision of increased

growth rates of volumetric indicators in the production sectors of agricultural raw materials, the achievement of financially sustainable work of agricultural business entities. Indeed, the achievement of high indicators of agricultural production efficiency causes the need to identify and solve a whole range of external and internal challenges of our time, among which a special place is occupied by the problems of formation and creation of socio-political, organizational and economic prerequisites for further development and successful functioning of agricultural business entities adapted to new economic conditions, corresponding to specific conditions of production and financial activities. All this clearly shows the relevance of the problem of further progressive development of the agricultural sector of the economy, which causes the need for additional study of this issue, the development of practical recommendations for the implementation of measures for the effective functioning of the agricultural business.

2 Materials and methods

The methodological basis for the study included earlier work of domestic researchers, including the authors, devoted to the analysis of the level of development of the domestic agricultural sector, as well as the problems of implementing the country's food security strategy. The general methodological basis of the study is the systemic analysis. The analysis of the used indicators was carried out by comparing the changes in values by years over 2017-2020 in order to identify fluctuations in these

indicators in each subsequent year and increase the correctness of calculations in a dynamic range of indicators. The information base for the study was statistics from the Federal State Statistics Service of the Russian Federation, the Ministry of Agriculture of the Russian Federation, data obtained during the analysis and calculations of the authors.

3 Results and discussion

The solution to the problem of increasing the efficiency of agricultural business entities is included in the general context of the development of the country's economy as a whole and in the concept of specific features of the rural economy related to natural and climatic factors and the natural and biological laws of crop production and animal husbandry. The most important component in this complex combination is the achievement of an increase in crop yields and animal productivity, as well as the expansion of integration and deepening of cooperation in building relationships between all related areas of the agro-industrial complex and agricultural sectors. The level of development of the agricultural business in modern conditions is determined by the achieved final indicators of one of the fundamental sectors of agriculture – crop production. For many years the value expression of the products of this industry has occupied almost half of the cost of gross production of the entire agricultural sector of the economy and has been largely involved in the formation of general indicators of the socio-economic development of rural areas. The products of crop industries are of great importance for the development of other sectors of the country's economies. First, crop production provides the country's population with food products such as bread and bread products, vegetable oil, sugar, potatoes, vegetables, melons, fruits and grapes. Second, crop production, like grain and industrial crops, forms the basis of the export potential of the agro-industrial complex. Third, it acts as a driver for the development of animal husbandry as a supplier of grain and feed necessary to obtain such animal husbandry products as meat, milk, egg, wool. Fourth, plants such as textile crops, oilseeds and partially cereals, fruits, vegetables and grapes, sugar beets are necessary raw materials for processing industry enterprises [1, 2].

The development of crop production in general and grain production in particular largely depends on the supply of livestock products to the population, which is an important direction in ensuring the country's food security. This goal can be achieved only with the stable development of the entire agricultural industry, the main direction of which is to increase gross grain production and improve the economic efficiency of its production through the rational organization of the production system. Grain farming forms the basis for agricultural production and has a deterministic influence on the development of all industries [3, 4].

The food security doctrine of the country and the improvement of the well-being of its population can be implemented only with an increase in crop production in all constituent entities of the Russian Federation. Besides,

the sustainable development of this industry requires a whole range of conditions and factors. First of all, this concerns the widespread increase in farming standards, optimization of the size of land ownership of producers, increase in the economic fertility of soils and efficiency of the use of land resources. In modern conditions, the development of modern farming systems based on the use of innovative achievements covering technical, technological and organizational-economic measures to increase the volumetric production indicators and improve its quality serve the levers of management and organization of crop production [5].

The analysis of the level of development of the agricultural sector of the economy over the past four years showed that the growth rates of production cost indicators in comparable prices for agriculture as a whole in 2020 compared to 2017 reached 105.7%, which means that the state program indicators [6] exceeded the targets by 1.9 percentage points (hereinafter – p.p.). Although in 2018 there was a slight decrease in the growth rate of agricultural products – by 0.2%. The performance versus targets of the program as a whole is the main indicator of the implementation of the agricultural development program of the country, which is provided for by the import substitution policy of the country's government regarding staple food and food supplies. The performance of planned and target indicators of the State Program are given in Table 1.

The table shows that the growth of agricultural production is not accompanied by the growing volumes of investments, their growth rates are lower than planned, i.e. they are falling behind, and this also contradicts the proportionality of the balanced development of all mutually related indicators of industry development. This imbalance cannot be eliminated by the increase in added value created in the field of production activities of agricultural producers, which in 2020 amounted to 3472.7 billion rubles, or overfulfilment amounting to 8.2%. This phenomenon causes concern in the long term and threatens to reduce the capacity of the production potential of agricultural business entities. Against this background, at first glance, one can look with optimism at the export potential growth rate indicator, which is 41.2%, as a source of foreign exchange infusion ensuring the development of the agricultural sector of the economy. But here it is necessary to take into account a high share in the export revenues of intermediary enterprises, which buy products from agricultural producers at average domestic market prices. Due to the lack of experience in foreign markets and export transactions, the lack of development of market infrastructure and logistics, agricultural producers cannot independently enter into transactions with foreign importers of food products and are forced to sell their products through intermediaries. In this case, a significant part of

export revenues remains with intermediaries and does not reach the subjects of the agricultural

market and fails to act as investment sources for the development of agricultural production [8].

Table 1. Implementation of planned indicators stipulated by the State Program [7].

Index	2017	2018	2019	2020		
				plan	actual	performance, %
Index of agricultural production in farms of all categories (in comparable prices) by 2017, %	100	99.8	104.1	103.8	105.7	101.8
Index of actual volume of capital investments in fixed assets of agriculture by 2017, %	100	103.4	104.6	98.2	97.3	99.0
Production value added in agriculture, bln roubles	2896.8	3101.3	3352	3209.2	3472.7	108.2
Growth rate of agricultural exports by 2017, %	100	119.3	118.4	115.7	141.2	122.1
Index of crop production in farms of all categories (in comparable prices) by 2017, %	100	98.5	105	102.4	106.1	103.6
Index of livestock production in farms of all categories (in comparable prices) by 2017, %	100	101.1	103	105.5	105.1	99.6
Food production index (in comparable prices) by 2017, %	100	103.6	107.8	109.6	111.7	101.9
Profitability of agricultural enterprises (including subsidies), %	12.0	12.5	13.3	12.0	21.0	175

This situation affected the achievements of agricultural producers in terms of investment in fixed assets, which decreased in 2020 compared to the achieved indicators in 2017 by 2.7 p.p. and in terms of the growth rates did not reach 1.1% of the target indicator of the State Program [6]. The reason for this situation was, first of all, the excessive debt burden of the majority of agricultural business entities, an increase in the difference in the growth rate of prices for goods, services in the serving sectors of agriculture and agricultural products. Besides, recently much attention has been paid to the processing of agricultural products and bringing food products to consumers in a ready-to-eat form, which requires reorienting significant amounts of investment to agricultural processing industries and to the development of food industry enterprises [9].

Table 1 also shows that the growth of crop production in all categories of producers in 2020 compared to 2017 amounted to 6.1%, which exceeds the indicative value of the program by 3.7 p.p. The natural and climatic conditions of 2020 have recently been the most successful for farmers, which contribute to the growth and harvesting of a large volume of products for the main types of crops, often exceeding the record numbers of recent times in some crop industries.

At the same time, although increased in 2020 compared to 2017 in the range of 105.1% the growth rates of livestock production in terms of the planned indicator remained unachieved by 0.4 p.p., which can be estimated as one of the restraining factors of sustainable agricultural growth [10]. The reason for this was the reduction in the production of certain types of livestock products. From the point of view of strengthening the sustainable balanced growth of all agricultural sectors, this ratio of growth rates of crop production and animal husbandry is extremely undesirable since the sale of crop production in its original form is always not profitable

for business in the domestic agricultural market. Therefore, it is desirable to sell crop production through livestock production through herd expansion and increased productivity, by using the growing potential of crop production in the form of grain and feed crops.

The growing potential of agricultural production subsequently led to an increase in the food production index in 2020 compared to 2017 by 11.7 p.p. and exceeded the targets of the State Program by 2.1%. The level of profitability of the production and economic activities of agricultural organizations, taking into account the amount of state subsidies, increased by 9 p.p. over the past four years. It exceeded the planned value by 9.0 p.p. The total level of profitability (21.0%) for modern agricultural organizations is not sufficient for the implementation of expanded reproduction, especially since intensive modernization of agricultural production is required everywhere [10, 11].

Modernization and technical re-equipment of the agricultural sector of the economy, given its starting position and the socio-economic importance of the results and development prospects, requires large investments. Over the past four years, the volume of investments in fixed assets in the agro-industrial complex has increased by 135.1 billion rubles in actual prices or by 23.1% through a progressive-increasing order. But this process is increasingly being passed on to agricultural producers. The share of the federal budget in the development of the fixed capital of the agro-industrial complex is only 0.1%, and the share of budget funds of the constituent entities of the Russian Federation in this process is 0.7% [12]. Here it is also necessary to take into account the following distribution of budgetary funds for the renewal of fixed capital: the first part is the renewal of the fixed capital of the budgetary service aimed at maintaining the governing bodies responsible for phytosanitary, high-quality,

technical and other control functions in the food chain: maintaining the structure providing consulting, scientific, information and other types of services to enterprises of the agro-industrial complex. Only the second part of the budget funds is used to renew the fixed capital of enterprises and divisions of the agro-industrial complex engaged in direct crop production and animal husbandry. 63.4% of the fixed capital of agricultural business entities is renewed at their sole funds, another 35.8% – at the expense of borrowed funds of enterprises, organizations and other sources [13]. It should be noted that the share of borrowed funds is increasing from year to year, which indicates a reduction in the ability of enterprises of the agro-industrial complex to carry out expanded reproduction on their own. It is known that borrowed funds must be returned with interest. The more borrowed funds are involved in the turnover, the more difficult it will be to return them, they will increase apace and in the near future producers will be forced to withdraw active capital from circulation to return debts and limit funds for further development, which may increase in multiples due to the upcoming digitalization of the rural economy and automation of production processes. The commissioning of production facilities is carried out in all sectors of agriculture [14]. The largest renovation of premises for cattle was carried out in 2017 when 275.1 thousand cattle stalls were put into operation. In the following years the rate of commissioning accelerates in approximately the same size. The same situation is observed in the pig industry. This can be explained by the fact that after the announcement of sanctions by Western countries, an import substitution program was adopted, and the buildings started after that were ready for commissioning in one and a half to two years. Given the weak position of sheep farming, the growth rates of construction and commissioning of premises for this industry is increasing. Over four years, the growth rates have increased 3.7 times. The premises for poultry farming are being built at an accelerated pace. In the egg industry, the growth rates increased 1.5 times, in meat industry – 4.5 times. Poultry production is developing at a high pace not only to meet domestic needs, but also to supply poultry products for export.

Ultimately, the share of food products and agricultural raw materials in the commodity structure of exports of the Russian Federation in 2019 amounted to 8.8%. The total amount of food turnover of the Russian Federation with foreign countries in 2020 increased by 8.6% compared to 2019, with a decrease in imports by 0.5% and an increase in exports by 19.7%. The trade balance reached a positive value of US \$886.3 mln (Table 2).

The increase in export supplies was facilitated by an increase in food volumes: meat (cattle – by 16.2 thousand tons (170.7%), pork – by 200.4 thousand tons (86.6%), poultry – 294.8 thousand tons (40.3%); sugar – by 1.2 million tons (76.2%); oilseeds – by 3.5 million tons (70.8%)); grain (barley) – by up to 6 million tons (51.7%).

In order to ensure the sustainable development of agricultural business in the Russian Federation, the country's agro-industrial complex sets an ambitious task to increase exports of products and food to \$45 billion by 2025, which is a fundamental position in the development and implementation of the state program and its subroutines.

Table 2. Food turnover of the Russian Federation with foreign countries, million US\$ [7].

Index	2018	2019	2020	2020/2019 growth rates	
				%	+/-
Turnover	5555 9	55532. 2	60432. 1	108.6	4774.2
Import	2975 7	29924. 2	29772. 9	99.5	-151.3
Export	2580 2	25608. 1	30659. 2	119.7	505.1
Trade balance	-3955	-4316.1	886.3	x	5202.4

This position is related to the fact that the results of the development of the national economy directly depend on the foreign economic activity of agricultural business entities to increase the export of food and agricultural raw materials. In this regard, improving the activities of agricultural business entities to increase exports is recognized as one of the priority areas. The reason for this is that the export potential and active foreign economic activity of agricultural business entities act as a catalyst in regulating the equilibrium and balance in the organization of international trade in the country as a whole.

4 Conclusion

After the Western European countries and the United States announced sanctions against Russia, the agricultural sector and the processing industry were tasked with providing the country's population with their own products at prices affordable to the majority of consumers. As in all cases of history, Russian agriculture and the agro-industrial complex with dignity got out of the current situation in the conditions of limited material, technical and labor resources. In a short period of time they reached the level of self-sufficiency in the staple foods. According to the consolidated reporting on the results of the activities of agricultural organizations receiving state support for 2020, the profitability (including subsidies) amounted to 20.0%, which is higher than the target (12%) by 9.0 p.p., and is also higher than the level of the previous 2019 by 7.7 p.p. (13.3%). In 2020, before-tax profit (including subsidies) was obtained in the agricultural sector of business in the amount of 624.2 billion rubles, which is 76.4% higher in 2019. At the same time, the share of profitable farms in the total number of agricultural business entities amounted to 86.1% (2 p.p. higher than the previous year) with a decrease in their total number. Excluding

subsidies, the profitability is 16.3% versus 8% in 2019. The profitability level is not high, and taking into account the level of annual inflation, it turns out to be low. Such a level of payback of invested funds for agricultural organizations as dynamically developing entities of agricultural business does not allow conducting innovative and investment activities for the development of entrepreneurship in rural areas. Besides, the agricultural business plays a key role as a socially responsible enterprise, which took on the task of infrastructural development of rural areas in order to create favorable living conditions for the rural population, increase the attractiveness and depth of the rural lifestyle and agricultural labor.

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