POTENTIAL OF INSTITUTIONAL PROJECT DEVELOPMENT IN THE RESOURCE MANAGEMENT SYSTEM IN THE AGRARIAN SECTOR

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ABSTRACT

The article justifies the need for developing an agro-economic strategy relying on the country's domestic resources. In this case, its mission should be, on the one hand, import substitution in the context of restraints of food supplies from outside and on the other hand, turning Russia into the leading world exporter of food—primarily of grain. In this regard, the potential of institutional project development in the agribusiness system is revealed, aimed at its efficient development as a multifunctional system. Special attention is paid to institutional factors in the development of the agrarian production, such as strategic planning, improvement of the legislative framework and development of the information system and widespread use of agricultural insurance. Strategies for institutional modernization of the agrarian sector have been analysed and measures and proposals to ensure its competitiveness the volatile global economy have been developed in the course of the study.

Keywords: Institutional Project Development, Strategic Planning, Agricultural Insurance, Agrarian Markets.

INTRODUCTION

Planning and forecasting are the key elements of the managerial decision system in the field of state regulation of the socioeconomic development. One of the main factors of planning is, first of all, the need to constantly increase the efficiency of production in the agrarian sector: the growth of labour productivity, the reduction of the costs of material resources and the increase in the workers’ income.

The cyclical nature of economic development is another objective factor that necessitates planning. The existence of large cycles of the economic conjuncture necessitates the development of forecasts and plans on their basis, as well as their adaptation to the imperatives of the relevant cycle stage (Shutkov, 2013).

Due to this, planning practice is renewed under the current conditions; where planning is assigned a role of the catalyst for the growth of production and improving its performance, as well as increasing the degree of the social focus of the economic development of society. This is particularly demonstrated by the implementation of the medium-term national projects focused on strategic industries with high socioeconomic importance: healthcare, education, agriculture, as well as the expansion of the horizon for budget planning and socioeconomic forecasting.
However, both the revealed errors in the implementation of priority national projects and the emergence of a new forecasting technology (foresight) necessitate the deepening of theoretical studies of planning as an important component of the organizational and economic mechanism for agribusiness operation (Popov, 2009).

The economic category of "planning" is a theoretical and abstract description of the process of scientific foresight. As follows from its content, the planned activities are described as a desire to predict the process and influence it. Planning involves several successive stages: a hypothesis, a forecast, a concept, a program and a plan.

Hypothesis as a scientific foresight is based on a theoretical analysis of the laws of development and changes in the quality characteristics of the object when exposed to various factors. It serves as the basis for subsequent forecasting and planning intended for managerial impact. The forecast serves as a more specific form of scientific foresight in comparison with the abstract hypothesis and is described by a higher degree of certainty, because it contains justification for the development goal and a description of the expected changes. However, it may also be described by some uncertainty, because the predicted indicators may be not accompanied by detailed arguments. This element of management in the agrarian sector assumes justification of the vector of agriculture development, while indicating specific quantitative and qualitative parameters, scenarios, ways and terms of achievement of results. This is facilitated, first of all, by the use of information technology in scientific foresight; secondly, by the development of agriculture reflected by the system of indicators; thirdly, by the assessment of possible options for the path of the industry development, with the impact of the market and other factors taken into consideration (Buzdalov, 2013).

At the same time, agriculture as one of the branches of economy is a multipurpose sector that unites the set of life-supporting functions of the state. The role of the agrarian sector as a multifunctional system is described by its economic, social, environmental and political functions (Figure 1).

![Figure 1](image)

**Figure 1**

**POSITION OF THE AGRARIAN SECTOR IN THE ECONOMY OF CONTEMPORARY RUSSIA**
A stage of finalization of market transformations and transition from transformation to modernization necessitates the development of fundamentally new strategies for the development of the agrarian sector, taking into consideration the formation of a socially focused market economy, its incorporation into the world economy, transformation of its place and role both in the international differentiation of labor and in meeting the country’s needs in agricultural raw materials and food products (Dolgushkin, 2012).

Strengthening of the role of the state in regulating the agrarian economy is certainly not limited to building up the state-owned facilities. This refers, first of all, to the creation of an articulate, economically and logically verified system of criteria for transition of certain facilities under the direct control impact of the state and secondly, to the formation of a rigid, particularly regulated mechanism for the efficient management of state and municipal property and control over its use.

**METHODS**

The theoretical and methodological basis for studying the potential of agricultural institutional projection is a set of generally recognized fundamental incentives of classical and modern agro-economic theory, provisions on institutionalizing the modernization of agricultural policy, the expansion of institutional and technological innovations in agriculture.

A wide range of methods of gnoseological tools were used in the course of the study: abstract and logical, structural, hypothetical and deductive, historical and genetic, systemic, comparative, categorical and monographic methods of scientific analysis. The study is based on a diversified approach to analysis, evaluation and proposing meaningful measures in various areas of state regulation of the agricultural sector.

Specific methodological approaches, methods and instrumental technologies were used in the course of development of the strategy of institutional modernization of the agrarian sector of a particular region as a mechanism to ensure its competitiveness in the context of high turbulence in the world economy, including methods of institutional project development, content analysis, logical modeling, economic and statistical groupings (typological, structural, analytical and illustrative), variational calculations, economic and statistical, calculation and structural analysis, etc.

The author also applied methods of mapping functional dependencies in the form of graphic presentations and diagrams and presented the relationships between the analyzed categories.

**RESULTS**

Inefficiency of market reforms and growing instability of the agrarian market as an effect of institutional project development in the form of priority national projects all prove the need for a theoretical justification of the concept and program for the transition of the agrarian sector from transformation to modernization based on a clear identification of the goal and tasks of the development strategy with indication of its vector transition to an innovative investment type of economic growth. It must be noted that such strategy modernization is not only the selection of economic instruments and the necessary institutional and administrative support: it should also include definition of goals and selection of tools that correspond to these priorities. It becomes obvious that it is impossible to create an all-embracing management method that would guarantee a specific firm operational adaptation to the volatility of economic processes in the
context of the unstable market economy and fierce competition, since the position of such a firm on the market depends on a large number of factors: the potential of the organization's operating resources, market demand for the goods produced, presence of competitors, as well as the state of the economy in general, etc. To do so, business entities develop a customized long-term strategy of survival and prosperity based on the implementation of general principles of strategic management (North, 1997).

Proceeding from the comparative definitional analysis, it is required to manage the process of interaction with the external environment in order to achieve the goals of agricultural organizations and agrarian policy in general. At the same time, a significant limitation of the efficient implementation of the resource management strategy in the agrarian sector is that a number of areas of support for the agrarian sector in the budgets of Russia and its regions are defined not by the tasks of its development, but rather by the value in the budget classifier, due to the long absence of a long-term strategy. At the moment, the agrarian sector of the region is subsidized irrespective of its needs. At the same time, the areas of agrifood regulation not included in the budget classifier are not included in the budget either. Such conflicts necessitate a change in the budget classifier, which will help increase the transparency of the budget funds spending and will allow most fully reflect the costs of supporting the agricultural sector in budgets of both regional and federal level (Tambovtsev, 2005).

The high degree of the Russian shadow economy expansion should also be taken into consideration, as due to this, a significant share of agricultural production (about 30%, according to some estimates) falls on the shadow sector and this share are even higher for large-scale farms. Consequently, the further development of agribusiness actualizes the need to obtain more transparent information about the specifics of the functioning of various forms of management in the agricultural sector about their contribution to filling the food market. In this regard, it must be noted that a full-scale agricultural census was conducted twice in our country in 1920 and 2006 and the next census was scheduled for 2016. At the same time, they are conducted annually in Australia and New Zealand, every four years in Germany and the Netherlands and every five years in the US and Canada. The asymmetry of information on the activities of the players on the agrarian market does not allow for efficient strategic planning in the industry. As a consequence, the priorities in the distribution of financial flows can be set only if there are quantitative indicators of the scale of activity in the large and small-scale sectors of agribusiness (Sharipov, 2013).

Considerable factors that constrain the expansion of the economic use of the natural and economic potential of the agrarian sector are imperfection of legislation and underdevelopment of market institutions, especially of such an element of the institutional environment of the agrarian policy as an information system. This determines the lack of the full and reliable information on the availability and economic evaluation of the main elements of the economic potential and the dynamics of economic processes within the regions. Lack of such information in the form of a geo information system complicates making efficient managerial decisions and developing real plans and strategies. In particular, the increasing practice of misuse of agricultural land by transferring it into other categories (to settlement lands usually) for housing construction is described by especially significant long-term negative effect, as it is complicated by the monitoring of the legality of transactions. The lack of development plans in municipalities aggravates the need to develop long-term strategies for their development (Serkov, 2013).

As such, the efficiency of management forms and methods in the agrarian sector is largely determined by the implementation of the active transformative role of forecasting and
planning, which predetermines the expediency of the use of a range of methodological approaches that ensure the steady development of productive forces and production relations. One of the areas for the development of modern management technology is a systematic approach, which assumes the change not in the individual components but rather in the entire system and includes three stages: creation of an information space; development of the methodology of the decision-making system; formation of a system to deliver managerial recommendations to the workplace (Bondina, 2013).

According to a new management paradigm that is currently being shaped and is intended to ensure a significant increase in the efficiency of enterprise management, a person is the main object of interest for management and therefore the main task of management is the comprehensive satisfaction of the needs and interests of each employee of the organization (Usenko & Shutov, 2006).

However, in the course of creation of modern technologies for strategic management and implementing a systematic approach, difficulties arise with harmonization between a rational management system and internal goals of the enterprise. Besides, the Russian practice shows that the basic theoretical concepts developed taking the latest systemic technologies into consideration are difficult to implement in practice due to the following:

1. Opposition of the external and internal environments of the enterprise;
2. Opposition of the market and resource approaches (functioning of enterprises is determined by the market or, conversely, by the enterprise behavior).

In our opinion, the most realistic evaluation of the probability of strengthening the competitive positions of the enterprise in the development of a flexible strategic management system is ensured through the integration of the above approaches within a single resource-market portfolio of the agrifirm.

The systematic approach is an effective tool for development of management systems (Figure 2). In Figure 2, X(t) is inputs (information, various points of application of impact of the external environment in the enterprise, etc.); Z(t) is the state of the system (set of states of the system elements and connections between them); Y(t) is outputs of the system (result of information conversion, various points of the system impact on the external environment). Assignment of response secures the change (adjustment) in the ongoing process.

Figure 2
MODEL OF THE FIRM MANAGEMENT ON THE BASIS OF THE SYSTEMATIC APPROACH

State of the system Z(t) at any instant of time t depends on the state of its inputs X(t) and on the previous states of the system at instants of time (t-1), (t-2) ...:
\[ Z(t) = F_c[X(t), Z(t-1), Z(t-2), \ldots], \] where \( F_c \) is a function of states (transitions) of the system. Connection between the input function \( X(t) \) and the output function \( Y(t) \) without taking previous states into consideration is reflected by the following function:

\[ Y(t) = F_b[X(t)], \] where \( F_b \) is a function of inputs to the system.

This system is static. If the system also depends on the functions of previous states, then:

\[ Y(t) = F_b[X(t), Z(t), Z(t-1), \ldots, Z(t-n)] \]

Such system is dynamic. The structure of the management system is represented as a managing subsystem that shapes the management impact \( U(t) \) and a managed subsystem (object of impact), which are linked by the direct (managing solutions) and inverse (information about the managed process and management results) relationships. Consequently, the management function in such a system can be represented as follows:

\[ U(t) = F_y[Y(t-1), \xi], \] where \( F_y \) is a management function (rule for making managerial decisions) for a given system, \( \xi \) is a property of the management system and \( \xi \) is a property of the external environment. The essence of management in the systematic approach is the definition of function \( F_y \) taking into consideration the capabilities and properties \( \xi \) of the managing system and the degree of influence of the external environment. At the same time, the law of management (i.e. decision-making and implementation of managing impacts) is determined by choosing from a variety of possible options by the methods of structural, functional, information, parametric analysis and synthesis of management systems based on information that ensures the object behavior leading to the goal set.

As such, the essence of the systematic approach in the development of strategic management of the agrifirm is implemented in the allocation of elements—internal and external relationships—which change the managing subsystem within the required limits. The new included inverse relationships strengthen the favorable and weaken the unfavorable trends in the system behavior, ultimately increasing its efficiency.

Strategic management of agrarian markets at the regional level acquires particular importance for the Russian economy under modernization. One of the current key factors that negatively affect markets and reduce the competitiveness of Russian agricultural companies is an insufficiently high level of interaction between regional enterprises in agribusiness, with a fairly low degree of management centralization. Lack of the strategic management of regional economic systems per se is hindering the economic growth of regions and improvement of the living standards of the rural population and causes centrifugal trends of "isolation" of regional markets (Bochkov, 2008).

As such, the conducted study allows identifying the relationship between the trends in the development of theoretical models of the markets and the factors that define them (Table 1). Economic models are projected to the regional level and determine the transformation of the concepts of development of the regional economy: from theories of location of production in the industrialization period to the description of spatial economic equilibrium, international specialization and trade, as well as transition to innovative and investment type of economic development of the region (Gorlov, 2013).
Table 1

<table>
<thead>
<tr>
<th>Factors that define the evolution of theoretical models of the market</th>
<th>Trends in the development of theoretical models of the market</th>
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<tr>
<td>Level of the markets complexity</td>
<td>With the increasing complexity and diversity of markets, the number of theoretical models of the market grows and they also become more complex and diverse, reflecting new properties of markets; the need for their coordination is increasing</td>
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<tr>
<td>Pace of changes in the markets</td>
<td>Changes in the markets accelerate and theoretical models turn from static into dynamic</td>
</tr>
<tr>
<td>Degree of predictability of changes</td>
<td>The market development becomes less predictable, the theoretical models justify the need for market regulation and place emphasis on the forecasting opportunities</td>
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<tr>
<td>Degree of influence of the human factor on economic development</td>
<td>With the increasing influence of the human factor on the results of economic activity, market models increasingly reflect the needs and interests of various social groups, their motivation and ways to manage their behavior</td>
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Analysis of the evolution of regional development theories has revealed that the economic growth in the region is based on the internal factors of production, as well as the attraction of mobile resources from other regions. There is competition for limited resources between the regions (Ushachev, 2013).

As an objectively necessary component of the reproduction process in the agrarian sector, insurance acts as an important component of the efficiency of strategic planning in agriculture, given the high degree of volatility of the weather conditions, its functioning and instability of the agrarian markets. To date, the Russian Federation has formalized the basics for arrangements of insurance activity and insurance of risks in agriculture in legislation, adopted the rules for granting subsidies from the federal budget to the budgets of the regions of the Russian Federation to compensate for a part of the costs of crop insurance.

However, remaining gaps in the arrangement of crop insurance, a wide range of risks of various origin and insured under one insurance contract, a long insurance term, high insurance amounts, etc. all lead to high insurance tariffs and the lack of (solvent) demand for this type of insurance services due to this. As the practice of the countries of Europe and North America shows, the agriculture sector is subsidized by the state in many developed countries. The state provides significant assistance due to the negative impact of natural factors on the agricultural production. In particular, state supports agriculture through agricultural insurance (Efimov, 2014).

For instance, significant assistance from the state is provided to the US farmers through the federal crop insurance program. It is formed and coordinated by the US National Farmers Union and the participating farmers have significant advantages and benefits, with 60% of the budget and only 40% of the farmers’ own funds being spent on crop insurance. Rural commodity producers are compensated for 65% or more of the amount of damage from accidents (insurance amount). Indemnity is paid by private insurance companies, which are reinsured by the Federal Crop Insurance Corporation of the US Department of Agriculture (Berglof, 2013).

Similar programs are implemented in Spain, where a state plan of agricultural insurance is compiled every year, including a list of crops accepted for insurance (45 species) and expanding every year. The plan stipulates the risks from which each crop is insured, for example, apple trees-from hail, frost, rain; tobacco-from hail, etc. Grain crops are insured in bulk from all insurable events. An important part of the plan is the amount of state subsidies for insurance, which is planned in two aspects: agricultural production and financial insurance. The agricultural
production component defines the terms of insurance in order to increase the efficiency of agricultural production through the implementation of a set of agricultural works that indicate parameters of soil cultivation, types of fertilizers used, innovations that need to be introduced in technology and other measures. Prices for agricultural products are set as part of the financial and insurance component. Prices, as well as the yield, are defined on the basis of the average actual price for several years. Crops are differentiated by the amount of damage coverage, but the upper level of coverage of any crop cannot exceed 80% of the amount of damage. Besides, a franchise is applied; under which damage less than 10% of the value of the insured yield is not compensated (Gaddy, 2002).

In France, the National Guarantee Fund is formed to compensate for damage from major natural disasters as the following ratio:

1. 50% of compensation from the budget;
2. 50% at the expense of rural commodity producers (Hodgson, 2001).

The number of participants in agricultural insurance with state support has increased in Russia over the past two years (2014-2015). For example, the number of farms that insured the yield exceeded 5.8 thous. 526 agricultural enterprises in livestock. The specific weight of the insured areas is 17.7% or 12.8 mln ha. In livestock insurance, the share of the insured livestock increased to 16.6%. In accordance with the new edition of the industry-specific law, state control over agro-insurance has been strengthening since 2016 (Agarkova et al., 2012).

As can be seen from the conducted analysis, state insurance institutions concentrating considerable financial resources, which allows them to assume significant risks, play the leading role in agricultural insurance of developed countries. On the contrary, in Russia, the preservation of the crisis trend in agriculture does not allow to carry out voluntary crop insurance in the country immediately and everywhere, even with financial assistance from the state, because the high cost of insured products and hence high insurance tariffs lead to an increase in the costs for agricultural producers. Further improvement of the agricultural insurance market is also hampered by a cautious attitude of the head of agricultural enterprises to insurance companies and procedural difficulties.

**DISCUSSION**

Since insurance of agrarian risks is the main market and financial mechanism for securing the continuity of reproduction processes in the agrarian sector, the agricultural producers are particularly in need of efficient insurance protection in the market conditions, as their final production performance directly depends not just on the amount of material and labor resources invested, but also on the weather and climate conditions and various cataclysms. This is why it is required to move from compensating agricultural producers for losses caused by natural disasters and catastrophes from budgetary funds to the state subsidizing of agricultural insurance with the view of turning it into a traditional market institution and a routine public practice.

The results of agriculture are also at great risk in the Russian Federation. Inability to predict the results of agricultural production has increased so much that the state has dramatically increased the amount of funds allocated from the federal budget to compensate part of the costs of insurance premiums for farmers. For example, while the amount of allocated funds from the federal budget for these purposes was only 82.9 mln rubles in 2000 and 1,900 mln rubles in
2005, from 2012 to 2014, a total of 17.9 bln rubles was allocated combined with subsidies paid from the budgets of the regions of the Russian Federation. Obviously, further expansion of the state support to the village is required in the next few years under the program of import substitution-in particular, coverage of agricultural insurance with state subsidies of insurance premiums up to 75% of crops (Borkhunov, 2013).

The established differentiation of agricultural producers according to the conditions and results of their economic activities defines shaping of demand for various insurance products that are available to the respective groups of rural insurers according to their price characteristics. Obviously, the cost of the policy depends on the level of the offered insurance protection chosen by the insured. In terms of crop insurance, the insurance programs that are currently implemented with the support of budgetary allocations sufficiently restrict policyholders to unified conditions for obtaining state subsidies. This determines the need to develop and implement the alternative state insurance programs, which, in the author’s opinion, should be based on the following scientific and methodological principles:

1. A program of crop insurance from a catastrophic decline in yield resulting from drought and other natural disasters is the most acceptable, especially for unprofitable farms. The decline in yield of agricultural crops in a certain insurance case by 50% or more in comparison with the yields over the last 5 years (insurance yield) is recognized catastrophic for the purpose of insurance.
2. The suggested program significantly differs from the existing one, since, in the author’s opinion, it is appropriate to abandon the support of agricultural enterprises and other subjects of agricultural activity from the federal budget through compensation of insurance premiums paid in favor of deductions. It is appropriate to form the Federal Insurance Reserve from the released funds, where the funds are of a targeted nature and are sent to insurance organizations that have paid insurance compensations to rural producers who previously insured their risks from a catastrophic decline in yield.
3. In case of an insured event, if the shortage of yield is more than 50%, insurance organizations guarantee to pay business entities in agricultural sector the insurance compensation in the amount of difference between the insured and actual yield. However, it is required to reduce the cost of the insurance policy in order to create and further implement such a program. Practice shows that regional budgetary funds can be the source of subsidizing the cheaper part of insurance premiums. The introduction of such an insurance program will allow to regulate the process of supporting agricultural enterprises in the event of large-scale natural disasters and to refuse to compensate losses from budgets of various levels.
4. In case of using the agricultural insurance mechanism, the state will lift off the burden of conducting expert assessments and clearly institutionalize relations with agricultural enterprises and farms in the event of natural disasters and catastrophes (Matnenko, 2016).
5. The state subsidizing of agricultural crop insurance is quite efficient, taking the limited liability of insurance companies into consideration. To do so, it is required to define the lowest basic tariff for covering agricultural and biological risks that are significant for a particular region on the principle of “basic tariff for a basic set of risks”. The policyholder can purchase additional insurance protection in case of necessity. Insurance companies can introduce either coefficients that increase the base rate or a separate fee for each risk covered. This approach will enable insurers to select a set of necessary insurance services that matches their financial capabilities and protects them from the greatest number of risks.

Although the rules for granting subsidies from the federal budget to compensate part of the costs of crop insurance define the insurance value of yield at projected market prices, the farmers should have the right to set prices closer to the market level when concluding insurance contracts, even if the state established the Minimum Guaranteed Prices (MGP) in the first quarter of each year for grains that are intended to be included into state orders for the formation of the state food fund. The ratio of this prices to the MGP shows the level of insurance coverage of a particular producer, which allows for a more reliable protection of the farmers’ income.
Undoubtedly, crop yield insurance is the most risky and expensive type of property insurance. This type of insurance can successfully develop only in the context of comprehensive regulation of agricultural production with the mandatory financial support of the state. It will be economically viable in case of collection of annual insurance payments from all producers, according to the yield data from which the rates of insurance payments were defined. The payments collected in full from producers and received from the budget secure compensation for the shortage of yield in the region and cover the cost of insurance for the tariff-forming (decade) period (Bogachev, 2016).

As such, state support in the field of risks insurance for agricultural entities is more efficient from an economic standpoint than providing financial assistance in the event of adverse natural and climatic events as additional loans, subsidies, offsets, etc. Due to this, the state tax incentives for expansion of the network of agricultural insurance organizations in Russia are required in the first place.

CONCLUSION

Transfer of both obligations to meet public needs and financial resources for the implementation of regional economic policy to the level of regions of the Russian Federation turns them into the goal-focused economic systems and allows modernizing the system of coordinating management of the regional food markets. The region of the Russian Federation is the object of the developed and implemented strategy for the development of industrial and local markets.

The system of coordinating management of regional markets under the conditions of transition from transformation to modernization is a required component of a regional development strategy in general, which includes coordination of actions of the market participants using the market competition support instruments that secure the best resources distribution, as well as their efficient motivation based on the harmonization of interests and overcoming of their inevitable conflict (Sadkov & Popova, 2007).

In recent years, the agricultural insurance market in Russia has been divided between two associations, including the National Union of Agricultural Insurance (NSA) and the Agro-Industrial Insurance Association “Agropromstrakh”. According to the existing legislation, the association of agricultural insurers providing agricultural insurance with the state support is responsible for obligations of its members to the insured if an insurer is declared bankrupt. A special compensation fund for this association is formed with payments received from insurance bonuses. Its size cannot be less than five percent of their net sum.

However, authorities prefer the concept when the competition in the agricultural insurance market in Russia is deemed inappropriate since it contributes to the prosperity of the so-called "gray insurance schemes" in the countryside. Thus, the tendency of monopolization of the agricultural insurance market is becoming more and more evident. As a result, insurance conditions are unified and the insured has no alternative choice.

The analysis of development trends in the agricultural insurance market demonstrates that there are two vectors of its improvement: the development of mutual insurance and the introduction of compulsory agricultural insurance. Advantages and disadvantages of each vector need to be further analyzed from the scientific perspective (Hess, 2016).

As such, the improvement in the efficiency of coordinating management of behavior of agricultural enterprises in the market is ensured if it is implemented on the basis of synthesis of various concepts of strategic management and as proactive management in real time.
REFERENCES


