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PUBLIC SUPPORT OF AGRI-INDUSTRIAL COMPLEX OF KAZAKHSTAN

ҚАЗАҚСТАННЫҢ АГРОӨНЕРКӘСІПТІК КЕШЕНІН МЕМЛЕКЕТТІК ҚОЛДАУ

ГОСУДАРСТВЕННАЯ ПОДДЕРЖКА АГРОПРОМЫШЛЕННОГО КОМПЛЕКСА КАЗАХСТАНА

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Abstract. The role of public support of agricultural sector in production of agricultural products has been explored. The statistical data of the share of agriculture in the GDP structure, the dynamics of the production volume of gross agricultural output in current prices, production of the main types of livestock products and processed products have been presented. The world experience of public support of agricultural sphere in comparison with domestic indicators has been analyzed. It is shown that in Kazakhstan its size is lower than in the economically developed countries. The instruments of State regulation and stimulation of agricultural market in the



Андапта. Аграрлық сектордың ауыл шаруашылығы өнімдері өндірісін мемлекеттік қолдаудың ролі қарастырылған. ЖІӨ құрылымында ауыл шаруашылығы үлесінің статистикалық мәліметтері, ағымдағы баға мен ауыл шаруашылығы өнімдерінің жалпы көлемінің өндіріс көлемінің қарқыны, мал шаруашылығы өнімдері мен өңделген өнімдердің негізгі түрлерін өндірудің мәліметтері келтірілген. Аграрлық саланы отандық көрсеткіштермен салыстырғандағы мемлекеттік қолдаудың әлемдік тәжірибесі талданған. Қазақстанда оның мөлшері экономикалық жағынан дамыған елдерден артта қалып отырғандығы көрсетілген. Еуропалық Одақ, АҚШ, Канада елдеріндегі аграрлық нарықты мемлекеттік реттеу және ынталандыру құралдары келтірілген. 1990-2016 жылдарға арналған мал шаруашылығы өнімдерінің негізгі түрлерін өндіруге және оларды 2012-2016 жж қайта өңдеуге талдау жасалған. Мақалада түрлі теориялық және экономикалық әдістер: монографиялық, бағдарламалық-мақсаттық, дерексіз-логикалық, сараптамалық бағалау әдістері қолданылған. Шетелдік тәжірибені талдаулар және жүргізілген зерттеулер негізінде авторлар еліміздің ауыл шаруашылығындағы ахуалды жақсарту үшін әлемдік тәжірибеге бейімделу бойынша ұсыныстар әзірледі.

Key words: agricultural sector, production, agricultural products, public support, world experience, processing of agricultural products, labor productivity, export, competitiveness, commodity producer, gross output, subsidies.

Ключевые слова: аграрный сектор, производство, сельскохозяйственная продукция, государственная поддержка, мировой опыт, переработка сельхозпродукции, производительность труда, экспорт, конкурентоспособность, товаропроизводитель, валовая продукция, субсидии.

Head of State N.Nazarbayev in his message to the people of Kazakhstan noted that the agrarian sector should become a new

driver of the economy. The president instructed to pay special attention to ensuring the growth of processing of agricultural products, labor productivity and increase the export capabilities of the industry [1].

The seasonal nature of agricultural production, high dependence on natural and climatic conditions, the existence of a constant risk in obtaining stable incomes, the price inelasticity of demand for many agricultural products and many other features lead to a weak competitiveness of agricultural products [2]. In this regard, in many developed countries, a policy is being implemented through the state support of farmers and peasant farms with a view to supporting domestic commodity producers.

Material and methods of research.

While studying specific problems of state support for the agrarian sector, a set of the following methods of economic research: monographic, program-target, abstract-logical, expert assessments were applied. The work also used such theoretical methods of research as comparisons and generalizations, scientific abstraction and synthesis. Analyzing current trends in the development of agricultural production in Kazakhstan, quantitative and qualitative research methods were used, such as comparative and systematic analysis.

The practical value of the study is due to the fact that the theoretical provisions and

recommendations, contained in the work can be used to study problems in the development of the agricultural sector. Addressing the current issues of the agrarian sector will solve not only the problem of food security of the country and the domestic consumer market, but also the reduction of imports, and also lead to the solution of an important social problem of employment of the rural population, thereby ensuring an increase in efficiency and competitiveness of production. All this will allow us to establish the trend in the development of the industry and assess the direction of further development of agriculture in Kazakhstan.

Results and discussion. During its 26 years of independence, the agro-industrial complex of the country has achieved significant results. There has been a steady increase in production based on market relations. Productivity and labor productivity are increased, renewal of fixed assets and the infrastructure of the industry are carried out, self-sufficiency in major staple food products, grain, oilseed and fish products are achieved.

In 2016, the share of agricultural production in the gross domestic product of the country was 7.8%, the share of agriculture in GDP decreased almost 4 times in 1990 (table 1) At the same time, according to statistics, in 2016, 7.624 million people or 43% of the total population of Kazakhstan live in rural areas.

Table 1 - The share of agriculture in the GDP structure (%)

| Indicators | 1990 | 1996 | 2000 | 2003 | 2007 | 2013 | 2014 | 2015 | 2016 |
|------------------------------------|------|------|------|------|------|------|------|------|------|
| GDP, % | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 |
| The share of agriculture in GDP, % | 34,0 | 12,1 | 8,1 | 7,9 | 8,4 | 8,1 | 7,9 | 8,0 | 7,8 |

Note: compiled by the authors on the basis of data from the Committee on Statistics [3]

According to the Committee on Statistics, gross agricultural output has a steady upward trend from 1882 billion tenge (KZT) in 2010 to 3,684 billion tenge in 2016 (table 2).

According to the analysis of the data, Table 2 shows that there has been some positive dynamics in the development of the Kazakhstan agro-industrial complex. The gross output of agricultural products in 2010-2016 changed mainly in the direction of increase, only in 2012 there was a decrease in output by 12.5% in comparison with 2011 but in 2013, the output of agricultural products tends to increase annually.

Thus, the output of agricultural products in 2016 increased by 11.4%. in comparison with 2015. The production of livestock products took an average of 55.5% of the gross agricultural output and increased by 12.1% in 2016 in comparison with 2015. Agricultural productivity for the period from 2011 to 2016 has changed from 498 000 tenge to 1544.5 thousand tenge, with an average annual growth rate of 9.3% per year.

For the period of independence, ten program documents were developed, on the basis of which the state policy of agro industrial complex was implemented. For example, the State Program for the

Development of the Agro industrial Complex of the Republic of Kazakhstan for 2017-2021 was launched and the main purpose of the

program is to ensure the production of competitive agricultural products in demand on the markets [4].

Table 2 - Dynamics volume of gross agricultural output production in the current prices

| Indicators | 2010 | 2011 | 2012 | 2013 | 2014 | 2015 | 2016 |
|--|-------|-------|------|-------|-------|-------|-------|
| Gross output of production (services) of agriculture, billion tenge | 1882 | 2720 | 2393 | 2949 | 3143 | 3307 | 3684 |
| Gross production of plant growing, billion tenge | 895 | 1654 | 1241 | 1683 | 1739 | 1825 | 2047 |
| Gross livestock production, billion tenge | 63,4 | 63,0 | 62,2 | 74,2 | 85,7 | 89,3 | 106,5 |
| The index of the physical volume of gross agricultural products (services),% | 89,5 | 121,5 | 85,2 | 109,7 | 101,0 | 103,4 | 105,4 |
| The Index of physical volume of gross crop production, % | 80,0 | 144,7 | 78,3 | 116,9 | 99,1 | 104,0 | 107,5 |
| The Index of physical volume of gross livestock production, % | 102,3 | 99,0 | 96,0 | 101,9 | 103,3 | 102,7 | 102,8 |

The average annual growth rates of food production in general do not keep pace with the growth rates of consumption and income of the population, as a result of which the free niche in the market is filled by imports and its share in domestic consumption remains very significant. On January 1, 2016 the production of all types of meat amounted to 931.0 thousand tones and relative to 2011 it was decreased by 0.9%. The production of milk of all kinds in 2015 amounted to 5,182,400 tons. In the structure of consumption of milk processing products, the share of imports constitutes from 10 to 40%. Internal production of eggs almost completely covers the demand of the domestic market. Exports

of commercial eggs account for about 2% of total production.

We analyzed the production of the main types of livestock products for the period 1990-2016 (table 3). These data show how much the production of vital products fell for Kazakhstan in comparison with 1990 (16.5 million), the population was increased by 10.5%

Production of meat decreased from 1559.6 to 960.7 thousand tons or by 61, 6%. In the structure of consumption at the end of 2015, the share of beef imports was 3.7%, pork - 3.9%, horse meat - 3%, mutton - 0.01%, which indicates a high export potential of these products. Despite the growth in poultry meat production, the degree of import dependence on this product remains high (54%).

Table 3 - Production of main types of livestock products for 1990-2016

| Year | Meat (in slaughter mass), thousand tons | Milk, thousand tons | Eggs, million units | Wool (in physical weight), thousand tons |
|------|---|---------------------|---------------------|--|
| 1990 | 1559,6 | 5641,6 | 4185,1 | 107,9 |
| 1995 | 984,8 | 4619,1 | 1840,8 | 58,3 |
| 2000 | 622,6 | 3730,2 | 1692,2 | 22,9 |
| 2007 | 838,7 | 5073,2 | 2664,2 | 34,2 |
| 2010 | 937,4 | 5381,2 | 3720,3 | 37,6 |
| 2012 | 844,7 | 4851,6 | 3673,4 | 38,4 |
| 2013 | 871,0 | 4930,3 | 3896,0 | 37,6 |
| 2014 | 900,2 | 5067,9 | 4291,2 | 37,8 |
| 2015 | 931,0 | 5182,4 | 4737,0 | 38,0 |
| 2016 | 960,7 | 5341,6 | 4757,2 | 38,5 |

Note: compiled by the authors on the basis of data [see 3]

The production of milk for the analyzed period decreased from 5641.6 to 5341.6 thousand tons, i.e. by 5.3%. However, the production of milk of all kinds in 2016

increased by 3% as compared to 2015, which establishes a positive factor of an increase direction.

It should be noted that egg production in Kazakhstan for the past 3 years has exceeded the level of 1990. In 2016, egg production increased by 13.6% and amounted to 4,757.2 million units. But wool production was decreased by 3 times lower than it was in 1990, it has been cut 38,5 thousand tons for

the year. This sharply affects the woolen industry.

In connection with the importance of ensuring the growth of processing of agricultural products, we will consider the production of processed products by main groups (table 4). These data confirm the positive trend of growth.

Table 4 - Production of processed products by major groups

| Index | 2012 | 2013 | 2014 | 2015 | 2016 |
|---|--------|--------|--------|--------|--------|
| Manufacture of food products | 865,6 | 970,1 | 1103,5 | 1095,0 | 1448,4 |
| Processing and preserving of meat and manufacture of meat products, billion tenge | 188,0 | 210,3 | 218,8 | 228,3 | 220,3 |
| Beverage production, billion tenge | 181,9 | 202,5 | 233,1 | 216,3 | 254,3 |
| Production of vegetable oil, thousand tons | 292,6 | 280,8 | 329,4 | 290,3 | 312,3 |
| Meat and by-products food, thousand tons | 188,1 | 210,3 | 228,9 | 228,3 | 220,3 |
| Processed liquid milk and cream, thousand tons | 372,5 | 440,4 | 472,9 | 453,6 | 472,4 |
| Production of dairy products, thousand tons | 413,3 | 476,1 | 481,8 | 500,2 | 500,6 |
| Flour from cereal crops and plant, thous, tons | 3846,5 | 4008,9 | 3882,9 | 3741,2 | 3974,0 |
| Chocolate, confectionery products, chocolate and sugar, thousand tons | 96,4 | 93,4 | 101,1 | 76,5 | 106,0 |
| Note: compiled by the authors on the basis of data from the Committee on Statistics [see 3] | | | | | |

At present, new trends in the world agrarian economy and demography are forming, integration processes in the region have developed in real terms, global external economic changes have taken place, Kazakhstan has entered Eurasian Economic Union and the World Trade Organization (WTO). Despite these positive processes, the agrarian sector remains one of the problem areas of Kazakhstan's economy. In these conditions, the participating countries should expand their sales markets and ensure the growth of foreign trade, price growth should be regulated, and a competitive environment that creates impulses for increasing competitive domestic products should be formed [5].

However, the low level of labor productivity in the industry, the use of imperfection of the technologies, the small-scale production do not allow to conduct agricultural production on an intensive basis to ensure the fullest use of material, labor and other resources, meet environmental requirements, reduce the competitiveness of the domestic agrarian sector and in the conditions of the WTO and the Eurasian Economic Union, it can lead to the dominance of imports of foreign products, the replacement of local producers from markets.

All kinds of subsidies and grants to the agricultural sector in developed countries make up 40% to 80% of the cost of agricultural products. For example, in Austria,

the level of state support to agriculture is 44%, in Canada -35%, in the European Union -38%, in Finland -72%, in Sweden-47%, in Switzerland -76%, in The United States - varies from 27 to 40% in the years [6].

According to the American public organization "Environmental Working Group" (EWG), Federal subsidies to American farmers from 1995 to 2009 amounted to 250 billion dollars. Of course, the US system of state support for the agrarian sector has some disadvantages in the mechanism of subsidizing farmers, the main of which is the inequality of the amounts received by large and small farms, but it should be noted that at present farmers have the opportunity to receive subsidies not only in one department - the Ministry of Agriculture.

It should also be taken into account that the research work on American agriculture is carried out at the expense of the government's appropriations, which also takes care of informing each farmer about scientific innovations that are advisable to implement in practice. The application of scientific advice gives the farmer the right to receive preferential loans. In general, budgetary allocations exceed 6 times the farm capital investment and account for 40% of the total gross output of farms. In addition, the budget expenditures for American programs of price support and stabilization differ very much by year, rising during the years of large harvest and low market prices.

While in the EU countries, state financial assistance to agriculture in the framework of a single agricultural policy was associated with the need to achieve self-sufficiency in basic products, in the United States, it was directed primarily at increasing agricultural exports and protecting the natural environment. State regulation of agriculture in the US actively encourages its modernization and provides a favorable general industry for the industry, income, taxation, capital accumulation. At the same time, the main method of state regulation is financial and credit support for the agricultural sector of the economy.

Financing is carried out by allocating from the state budget appropriations, which are sent strictly to the targeted programs. At present, two major programs are prevailing: "Stabilization of farmers' incomes" and "Scientific provision". Among the main ones is the program "Stabilization of farmers' incomes", for which large amounts of money are currently being allocated: from 30 to 50% of all budget allocations to agriculture. The program includes: "Harvest Insurance" and "Agricultural Credit" programs. Under the program "crop insurance", farmers are insured against natural disasters.

A similar picture of state stimulation of the agrarian sector is observed in other developed countries. In Canada, for example, subsidies from the budget for milk make up over 90%. The countries of Western Europe direct financial resources to the agricultural sector depending on the natural and climatic conditions of agricultural production. The more complex and harsher the climate in the country, the greater part of the GDP is used for agrarian needs. This is convincingly demonstrated by the following data. In France, these subsidies account for 7.1% of the GDP of the industry, in Germany - 13.7%, in Ireland - 14.8%, in Austria - 13.7%, in Denmark - 17.7%, in the UK - 27.2% and in Norway - 32.5%.

In order to better imagine the size of state support for the agrarian sector in a number of foreign countries, we will also give data on the magnitude of these allocations in the share of the profits of farmers and production cooperatives. For example, in the US, the share of government subsidies in profits is 30%, EU countries 49%, Sweden 59% Finland 71%, Japan 75%.

The countries of Western Europe that are members of the EU have developed and implemented a unified agricultural policy, on the basis of which fixed purchase prices are provided and subsidized for the export of agricultural products.

In many EU countries, legal and economic incentives for the production of the most important types of agricultural products - grain, meat, milk, cheese, and others - have been introduced. So, for example, in France, state bodies took control of the market for almost all types of products.

Agriculture in Finland provides the country with basic food products, although sometimes under adverse weather conditions some agricultural products are imported. At the same time, only 8% of the total number of people employed in the national economy work in the industry.

In Germany, the agricultural credit program for all German lands is aimed at supporting investment measures to rationalize and improve living conditions. Only agricultural producers can receive a loan, the total income of which does not exceed the established boundaries. In-farm investments aimed at improving the quality of products are also supported. In Germany, a preferential government loan is granted under 1% of the loan over 28 years. In addition, young farmers are provided with particularly favorable conditions for obtaining a loan.

In European Union countries, the main directions for supporting farmers include high fixed domestic prices, as well as subsidizing the export of surplus products. It is necessary to emphasize two important rules of state regulation of the agrarian sphere in the European Union:

- it is prohibited to sell imported products at a price lower than similar products of own production, that is, lower than the price in the domestic market;

- Anyone who imports the products to the countries of the commonwealth must pay at the customs house to the European Union budget (in part, to the budget of the country that imports the products) the difference between the marginal price and the price of the world market. This difference is called a payment per transaction.

Financing of agrarian transformations took place in several directions: for the maintenance of land management organizations, for assistance to peasants in land management, preferential lending. So, for the peasants in the transition to new forms of land use, long-term interest-free loans for the purchase of agricultural implements and seeds were issued; fireproof construction; development of the handicraft industry; "Unconditional priority to agriculture at the expense of the whole society."

Thus, the conducted researches have shown that foreign work experience of agrarian sector underlines the constant care of the state authority for creation of economic and material-technical conditions on agricultural output for the population of the country.

In recent years, there has been an increase in incentives for agricultural producers in the Republic of Kazakhstan, but the amount of state support lags far behind developed countries. For example, the total amount of state support in terms of 1 hectare of agricultural land in the republic in 2008 amounted to 1,653 tenge, or 13 dollars, the same for 1 hectare of arable land - 6,079 tenge, or 50 dollars. This indicator in the developed countries reaches: in the European Union-1120, Israel -779, and the USA - 412 dollars [7].

Generally, the state policy on innovative development of the agro-industrial complex and stimulation of the sale of agricultural products, contributes to positive trends in the industry, but it should be noted that there are a number of problems whose solution requires further efforts of JSC National Holding KazAgro and agricultural entities.

The issues of modernization and investment attractiveness of the agrarian sector are continuously connected with the state of the infrastructure of the agro-industrial complex. At the same time, "the reform of the basic links of the infrastructure (procurement and storage of products, transport communications, wholesale markets, exchange structures, etc.), as well as the development of the information infrastructure of the agrarian products market, is becoming the most important directions in the formation of the infrastructure of the agro-industrial complex" [see 7].

Based on the analysis and study of foreign experience, we developed recommendations:

- ♦ to increase the production of vital products for Kazakhstan on the basis of creating large integrated units, increasing demand for Kazakh grain in foreign markets and boosting production in selected livestock sectors;

- ♦ to use the foreign experience of the agricultural sector, this demonstrates the constant concern of the state authorities to create economic and material-technical conditions for the production of the required volume of agricultural products for the country's population;

- ♦ to expand the experience of many EU states to legal and economic stimulation of

production of the most important types of agricultural products - grain, meat, milk, cheese and others);

- ♦ to reduce the experience of Western European countries in the development and implementation of a unified agricultural policy, on the basis of which it is ensured the provision of fixed purchase prices and subsidizing the export of agricultural products.

Conclusions. The study gives rise to the following conclusions.

1. The industry has the following problems: the existence of specific organizational and economic relations, reproduction characteristics, low attractiveness for creditors and investors, limited access of agricultural producers to sources of financing of fixed and working capital.

2. In recent years, there has been a certain growth in business activity in the agrarian sector of the economy of Kazakhstan - a significant part of agricultural producers has adapted to the market conditions of farming. The situation in the country's agriculture is characterized by an increase in the basic indicators of agricultural production, for example, the gross output of agricultural production, in 2016, compared to 2010, almost doubled. In our opinion, this is the result of the state support provided.

3. However, the analysis of the world experience of state support of the agrarian sector and its comparison with domestic indicators shows that state support for Kazakhstan's agriculture is still insufficient and should continue to grow at a rapid pace.

4. The assistance of the state should be directed to such programs as: stabilization of incomes of peasant farms, development of insurance in crop production and introduction of compulsory insurance in livestock, support of agrarian science, development of agrarian infrastructure, formation of state venture funds to attract innovations to the agricultural sector of the economy, conditions for obtaining a loan for young farmers.

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