

Agriculture: the way to get profit

Сельское хозяйство: путь к получению прибыли

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In recent years, the Belarusian economy squarely raises the question of agriculture. For many years there are active debates about the loss of agriculture. It turns out that taxpayers and other industries are forced against their will to support the spirit of dependence on agriculture. Although, experts say, the agricultural sector can earn itself and reduce state aid to a minimum. True, the state still does not know how to go about it.

In the past in 2009 by agricultural organizations of all industries and forms of subordination received 1.5 trillion rubles (about \$ 500 million) net profit. This overdue payables, in which a creditor subject to penalty, to January 1, 2010 reached 1.9 trillion rubles (about 630 million dollars) and increased during the year by 36,6%.

The total amount of outstanding debt of the agricultural organizations in 2009 increased to 10 trillion rubles (3.3 billion dollars).

New Zealand is one of the few countries which refused to grant agricultural producers, the administrative regulation of prices and has taken a unique agricultural reforms aimed at establishing a free market mechanisms. Since 1984, the program for agricultural subsidies had been abolished as a part of the overall systemic reform of the economy. As a result of the reforms has been improved productivity in the agricultural sector and ensure sustainable economic growth throughout the economy.

New Zealand showed how to deregulate agriculture in the overall systemic reforms. In the presence of adaptation problems for the subjects of agricultural production in the short term, the reform has shown that the agricultural sector to quickly adapt to the new regime (without subsidies, free pricing) and preserves a high level of profitability.

After the Second World War, New Zealand came out too over-regulated economies. Many of the restrictions imposed under the emergency and demand in wartime. The volume of income and wealth increased steadily due to the persistence of trafficking in wartime (delivery of food, wool in Britain, etc.).

Agriculture dominated the trade. Immediately after the war, development was very rapid, but was soon chilled by restriction of the export base, fluctuations in the profitability of agricultural production and increasing demand for imports. Internal development has stopped because of balance of payments crisis and the costs of excessive growth of external debt servicing. In 1971, the New Zealand left the sterling standard in the exchange rate and passed to the self-governing parity system based on the USD (there was an exchange rate peg to the price differences between New Zealand and its major trading partners (1976 - 82). In 1972 Britain joined the EU and access to commodity markets in the EU must be specified for each individual commodity article or New Zealand came under the general tariff. From the general rules have been eliminated only oil and veal. In 1974 and 79 years because of the oil crisis deteriorated even more in terms of trade and comparative advantages of domestic prices have disappeared due to high inflation. In 1981-1984 the government experimented with exchange rate and interest rates on loans and deposits, but control has only resulted in an increase in speculation. Inflation has remained high.

In 1984 the Labour government initiated a wide-ranging reforms of economic institutions. These included among others the reduction in size and complexity of import tariffs, liberalization of the market of money and exchange rate, as well as extensive privatization of housing and communal services, restructuring of public financial management system. The reform abolished the mechanisms of support to agriculture, including special loan programs, tax exemptions, preferential credits to the Soviets for marketing and subsidies for the purchase of production factors.

In 1984, Labour, left the government first time since 1930 embarked on the structural problems. Lobbying capacity of the various groups plummeted. After the election of 1984, increased the rate of flight of foreign capital from the country, which led to the crisis of the exchange rate immediately after the election. The new government has had a 20 percent devaluation of the currency. The program of systematic measures included a tight monetary policy, reduction of fiscal deficit and maintaining the real New Zealand dollar. This policy was aimed precisely at achieving more rapid economic growth, to give institutions and mechanisms of flexibility with low inflation, the normal balance of payments and higher unemployment.

Budget 1984 defines the following:

1. Reducing state aid to farmers is the same speed and intensity, as well as for other sectors. Such an approach was a direct warning to the agricultural lobby that goal - the abolition of subsidies for the purchase of various factors of production, which de facto discriminated against other sectors of the economy and individual economic actors. The sequence of reforms was as follows: first the reform of agriculture, then the financial sector, then the structure of state government. This was followed by labor market reforms that began five years later.

2. Return of market principles in the following directions:

- The abolition of price support;
- Elimination of subsidies for the purchase of factors of production;
- Go to the credit of realistic interest rates.

3. Concessional loans to farmers through the Rural Bank were canceled. Until 1984 the majority of credit to agriculture was allocated after 4 authorized bank.

4. Interest rates on government loans issued by the Agriculture, will be brought in line with market rates.

5. By 1986-87, he was eliminated from state loans to finance agriculture. New borrowing undertaken on market principles.

Reforms of New Zealand have shown that agricultural markets are self-regulating and that not only farmers bear all the costs of reforms. The land market is adapting to the expected income, and on the basis of these expectations, the price of land is formed. Of course, the loss of assets for existing property owners are inevitable. The most affected by those farmers who are new actors in the market of agricultural products. In some cases we can speak about special restructuring schemes, but wholesale compensation for the loss was not provided.

Farm sector would have more benefits from a comprehensive coordinated reform of the economic system as a whole. Plans to remove import duties on inputs lagged behind the abolition of agricultural support. From the perspective of a single sector, deregulation should be comprehensive and in the context of agricultural concern, first and foremost, the processing industry.

New Zealand showed the outstanding example of reforming the agriculture. Its main points could be highly useful for Belarus and it will help to make some changes in Belarusian agriculture.