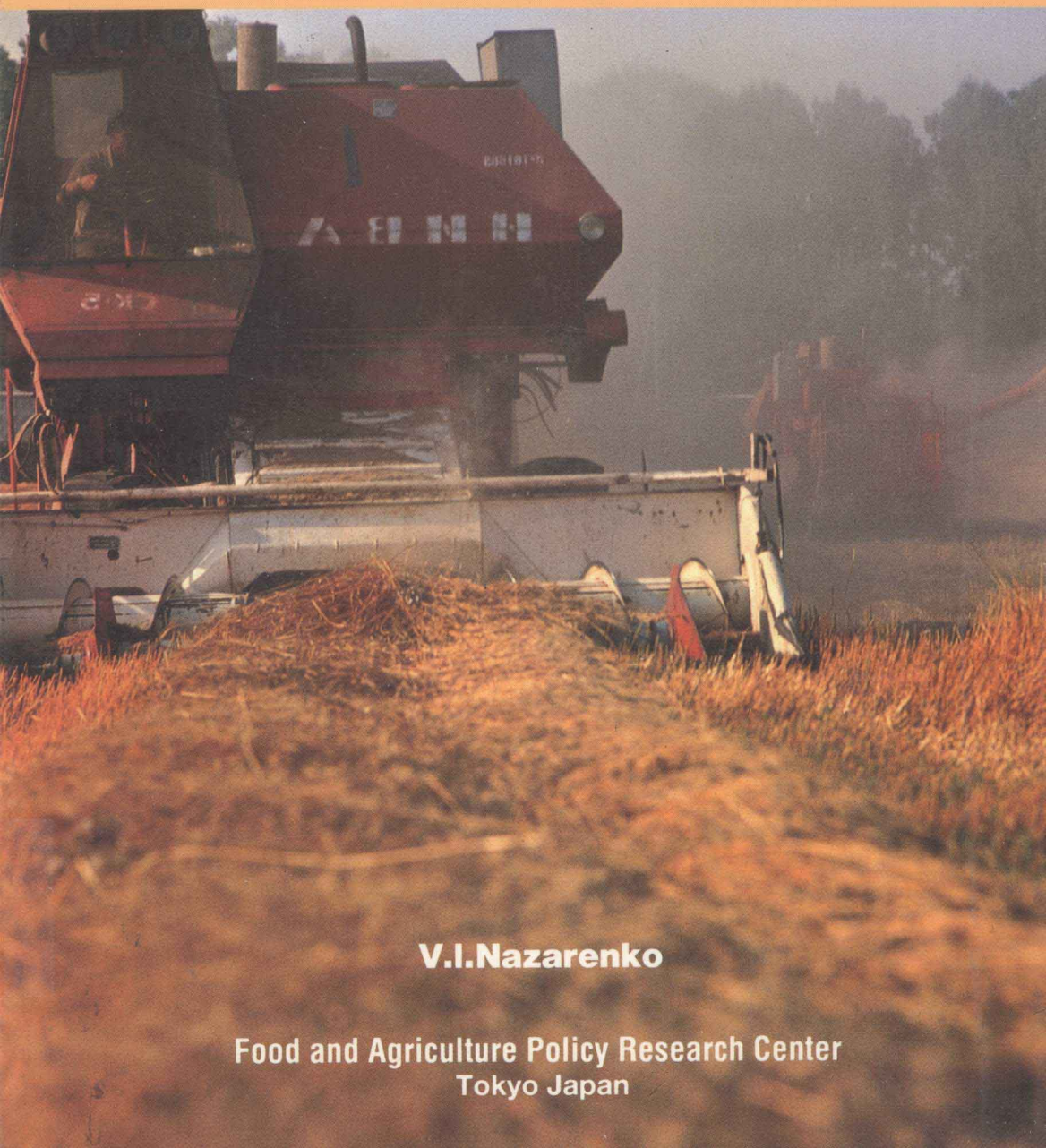


Problems of the Agricultural Economy in Russia

following the Disintegration of the USSR



V.I.Nazarenko

**Food and Agriculture Policy Research Center
Tokyo Japan**

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SGII No.16 "Problems of the Agricultural Economy in Russia following the Disintegration of the USSR," by Dr. V. I. Nazarenko

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Cover Photographs: Harvesting operation by a team of combines used widely in southern areas of Russia. Courtesy of Dr. V. I. Nazarenko.

FOREWORD

1. The present situation and the future prospect of the countries of the former USSR, especially Russia, have a crucial influence on the present and future situation of the world with respect to its economic, social and political aspects.

The people of the world, not only of the West but also of Asia and Africa, as well as of both the developed and developing nations, are profoundly concerned with the realities of the countries of the former Soviet Union, including Russia. This is also the case in Japan.

In spite of this, we are all very poorly informed of the truth of the transformation made and the direction in which Russia is oriented. This situation is specially observed in the field of Agriculture and Food supply.

This book, written by Dr. V.I. Nazarenko, illuminates the information on and elucidates the complicated situation of the problems of food and agriculture in Russia.

2. Prof. Dr. V.I. Nazarenko, Director of the Institute of Information and Technical-Economic Studies of the Agro-Industrial Complex of Russia, is one of the prominent economists in Russia; he writes many monographs in the English language on the present situation and the future outlook of agriculture and food problems in the country. He has produced more than 50 books and many papers, mainly on agriculture and food problems.

Our Center, The Food and Agriculture Policy Research Center, Tokyo Japan, has so far translated several of his papers into Japanese and published Japanese versions of those papers. Moreover, the Center invited him to Japan in July 1992 to lecture on the food and agriculture problems in Russia.

He has kindly sent us many other monographs useful for under-

standing what is and will be going on in Russia. We requested that he compile them into one systematic monograph which would be very useful for anyone, not only in Japan but anywhere in the world, who is interested in and keen to know about the agricultural and food situation in Russia.

That is the background story of the birth of this book.

3. As can be seen in the contents the study in this book on the agricultural and food problems in Russia is very wide-ranging.

Historically, it goes back to the period before reform, through the first stage of agrarian and economic reform, the period of Perestroika, the period of shock therapy and reform in 1991 and 1992, and finally comes to the recent period of 1993 and the first half of 1994.

It also covers a wide range of problems, centering on agricultural production itself, in the fields, of the supporting industries, distribution and processing, as well as the international trade in food.

Land ownership, which is the most fundamental framework for agriculture, co-operative movement and, price policy, as well as food economy and the monetary circulation indispensable for the market economy are also dealt with in detail.

4. The author himself summarizes the scope and nature of his analysis and study as follows in his preface.

(1) The first is to analyze the situation which existed in the Soviet Union before the reforms and consequent disintegration.

(2) The following analysis is on the character and the theoretical aspects of the crisis in agriculture and agribusiness.

(3) Some conclusions are drawn on the basis of the analysis above, about the length and timing of the crisis and possible application of different strategies.

(4) These analyses and conclusions lead to a more specific analysis of the measures conducted recently in the period of reform.

(5) The last study is to try to find some recommendation for the

solution of problems, particularly in the spheres of production, storage, processing and marketing, to minimize import and improve the nutritional standard of the population.

5. The fundamental stance of the author which lies at the basis of the study mentioned above is also shown in his preface as follows.

(1) The scope and nature of the problems the former Soviet economy faced does not have a parallel in the economic history of the world.

(2) That is why the author is very sceptical about the possibility of the application of the standard set of rules and prescriptions developed for other countries, including that of the IMF.

(3) Everything should be done only according to the specific Russian situation.

Thus the nature of the study in this book is very clearly stated, especially in the last paragraph of the author's preface.

I have nothing else to add to these words of the author.

I hope the reader will enjoy reading this book to gain a better understanding of the Russian problems.

English expression and words in the manuscript by Dr. V.I. Nazarenko have all been reviewed with his consent by the American staff of Urban Connections Inc and a staff-member of the Center, Mr. Heijiro Yoshihara, for the purpose of refining the English expression without revising the presentation or the meaning of the sentences.

I would like to express my appreciation for their efforts to make the expression more plain, especially for the editing work done by Mr. Heijiro Yoshihara.

May 1995

Takekazu B. Ogura
Chairman
Food and Agriculture
Policy Research Center,
Japan

PREFACE

The economic, social and political transformation of the former Soviet Union, creation of new states and necessity of serious reform for creation of market economy certainly raises many serious problems in all the branches of the economy, including the agriculture and food sector. Agriculture and agribusiness in general, besides common economic problems, which are important for the whole nation, have their own specific tasks. First of all it is connected with such long-term and painful problems as a tremendous import of grain and some other major food commodities, irrespective of the great agricultural potentials and very significant investments in this field at least for the last two decades.

Certainly, there is a very important task — how to change a social structure in rural areas, which demonstrated its inefficiency of use of resources and incapability to increase agricultural production in a significant way. Agriculture and the food supply system have to work now in a completely new economic situation — disintegration of the former Soviet Union, which very negatively affected this sector of the economy and serious financial difficulties, which do not permit to subsidize this industry and food prices at the previous level.

Actually the scope of problems with which the former Soviet economy including agriculture is faced do not have a parallel in economic history or more or less analogical settlement in the country comparable with its size and complexity.

That's why the author is very sceptical about the possibility of application of the standard set of rules and prescriptions developed for other countries, including that of the IMF, because of the unique character of Russian problems. These problems should be considered not as a traditional academic economic task, but as a fully complex task to take into consideration the history, social tradition and mentality of the population. The very facts that communist ideology and system of

management dominated this country for more than 70 years, and that this system is not only connected with Marxist philosophy, but also with many traditions of Russian Society, should also be seriously considered and kept in mind.

All these arguments demand a very serious study of the situation of Russian agriculture without trying to find a solution in western textbooks, but with a goal to develop an original theory and recommendations for the transformation of food economy. The complexity of the problem, interconnections with the other tasks and bottlenecks in the society and acute shortage of food stuffs in the country — all these demand serious considerations and refraining from easy and simple decision. Over simplification of the task of transformation and application of the traditional sets of rules which might be useful in other countries, but not in Russia, will have dangerous consequences.

Everything should be done only according to the Russian specific situation. For this purpose, first of all it is necessary to analyze the situation which existed in the Soviet Union before reforms and consequent disintegration and the character and some theoretical aspects of the crisis connected with agriculture, as a sector of the economy and agribusiness in general. Consequently some conclusions can be made about the length and timing of the crisis, and possible application of different strategies.

This would lead to a more specific analysis of the measures conducted recently in the period of reform.

The last task of the study is to try to find some recommendation for solution of problems, particularly in the sphere of production, storage, processing and marketing, to minimize import and improve the nutritional standard of the population.

The author understands that this task can not be settled in only one publication. So, this book can be considered not a collection of treatises, but rather an attempt to understand the character of the crisis, its specific character, which can not be treated by some miraculous and

universal drugs, but demands a very serious, individual and long-term therapy. No doubts, the world-wide experience should be used in the procedure, but it should be accommodated to Russian conditions. The task is mainly how to create the strategy which would be based on the historical and psychological tradition and character of Russia, more exactly corresponding to the nature of the country and the people.

V. I. Nazarenko

Dr. V. I. Nazarenko

Born in 1931, graduated Moscow University, School of Economics, 1954; Institute of International Relation in 1956; Graduate School of Institute of Agricultural Economics in 1961. Ph. D in 1961, Doctor of science (economics) in 1972. From 1982 — full member of the Academy of Agricultural Sciences, also member of the Academy of Economic Sciences, the Academy of Informational Sciences. From 1956 to 1977 — at the Institute of Agricultural Economics, last position — Deputy Director. 1977–1982 — Director of the Institute of Agricultural Information. 1982–1987 — Chief Scientific Secretary of the Academy of Agricultural Sciences, 1987 up to now — Director of the All-Russian Research Institute of Information and Technical-Economic Research of Agroindustrial Complex. Author of more than 50 books.

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