

---

## Problems and Contradictions of the Financial System of the Agro-business Industry of Russia in Contemporary Conditions and Methodological Aspects of their Overcoming

---

Zoya Sh. Babaeva<sup>1</sup>, Ramazan B. Shahbanov<sup>1</sup>, Sabina R. Shahbanova<sup>1</sup>,  
Burliyat N. Asekova<sup>2</sup>, Marina V. Postnova<sup>3</sup>

### **Abstract:**

*The article deals with the problems related to financial provision of investing activities of agribusiness industry as the most important sector of the Russian economy, as well as the ways of overcoming these problems. The authors formulated main concerns hindering economic growth and development of Russian agribusiness industry, and substantiated the dependence of the economic development of the agribusiness industry on the level, content, and mechanism of financial support.*

*The article refines the major contradictions in the financial security of agribusiness industry developments, which reduces the level of financing and contributes to the emergence of disproportions in terms of both the industry-specific aspect and the territorial (regional) aspect in the development of the agricultural sector of the economy. It is proved that in spite of excessive government centralization of financial resources in the state budget, solutions to the critical national problems on the social arrangement of the agricultural regions and financial support of the needs of agribusiness industry are not achieved yet. The authors give critical assessment of financial and credit policy of the Bank of Russia, which led to the monopolization of the financial market and the emergence of speculative and often criminal banking operations to extract excessively high income. It is noted that wrong state policy has resulted in a significant differentiation in the development of Russian regions.*

*The authors prove the necessity to align socio-economic development of agrarian regions in Russia and create their own food economy by ensuring the development of agricultural production with due considerations of climatic and other conditions characteristic of the various regions. The article reveals also causes and contradictions hindering financial well-being of enterprises of agro-industrial complex, substantiating and systemizing main objectives, methodological approaches, and organizational measures aimed at overcoming these contradictions in the development of financial support in Russia in the current context. Provision of financial resources in accordance with the proposed approaches and measures will allow comprehensively solving problems concerned both the development of infrastructure in rural areas, and peculiarly, the strengthening and growth of agricultural production.*

**Keywords:** agribusiness industry, investments, financial security, financial policy, credit and fiscal policy, agricultural production, agribusiness industry infrastructure.

**JEL Classification:** O10, O13, O

---

<sup>1</sup> Dagestan State University, 367025, Russia, Makhachkala, M. Hajiyev str., 43

<sup>2</sup> Dagestan State University of National Economy, 367025, Russia, Makhachkala, Ataeva str., 5

<sup>3</sup> Ulyanovsk State Agricultural Academy named after P. A. Stolypin, 1432017, Russia, Ulyanovsk, New Crown Boulevard, 1

## **Introduction**

Agro-industrial complex or agribusiness industry of Russia is the most important economy sector determining the food security and the country's national security in general. In recent years, particularly, in the period of foreign financial and economic sanctions against Russia and reverse restrictions on imports of agricultural products from abroad, there have been some positive trends and investment exhilaration in the agribusiness industry of the country and its individual regions. However, despite some increase in regional food markets of domestic, and in particular, regional agricultural products, the agricultural economy and processing industry remain in a state of decline and stagnation. The majorities of natural and industrial resources that determine agricultural industry potential of Russian regions are not involved in the socio-economic reproduction, and continue to lose their historic significance and macroeconomic value. In consequence of the recession and the crisis of agribusiness industry, Russia is losing natural and production capabilities to ensure own food security. Besides, this process is accompanied by reduction in the standard of living of the rural population, as well as exacerbation of social tensions in rural and agricultural regions of the country in general.

The problem of restoration of economic growth and development of agribusiness industry and improvement of socio-economic conditions of rural areas is associated with insufficient investments in agribusiness industry, their imperfect structure in terms of both agribusiness industry sectors, and territorial (regional) context, as well as their extremely low efficiency. This predetermines the need for a thorough scientific-methodological research and identification of the problems and contradictions of financial security of agribusiness industry, as well as development of the ways of their overcoming.

Problems concerning financial security of investment in the Russian agribusiness industry are investigated in works of many modern Russian researchers. At that, various approaches and methods to increase the investments into development of agribusiness industry of Russia, enhance the financing efficiency of agribusiness industry, improve the effectiveness of financial security, and provide growth of investment attractiveness of both Russian agribusiness industry in general and its regions, are proposed based on the analysis of the existing system of financial security.

**Table 1.** *Review of proposals to improve financial security of investing activities of the Russian agribusiness industry*

Researcher	Approaches to the solution of problems concerned financial security of investing activities of agribusiness industry
Babaeva Z.Sh.	Development and improvement of organizational and economic mechanisms to optimize the investment resources structure (Babaeva 2015a; Babaeva 2015b)
Brovkina L.I.	Development of public-private partnership through a system of state

	bonded debt (Brovkina 2011)
Dokholyan S.V.	Optimizing management system and enhancing organizational and managerial methods of investment resources provision (Dokholyan and Magomedova 2011)
Eremeeva O.A.	Optimization of investment in fixed assets of the agribusiness industry (Eremeeva 2014)
Kovirshin M.A.	Improving balance and coordination of activities of financial institutions representing the financial infrastructure of agribusiness industry (Kovyrshin 2010)
Kostiukova E.I.	The development of credit granting system of agribusiness industry (Kostyukova 2008)
Kuz'mina E.V.	De-risking of financial security of agribusiness industry development (Kuz'mina 2014)
Popova L.V.	Improving the efficiency of state support mechanism of agribusiness industry (Popova 2008)
Supuraliev A.A.	The development of mechanisms and growth methods of the domestic corporate investment resources, including also the use of optimization methods of the amortization investment resources (Saparaliev 2013)
Shakhbanov R.B.	Improvement of state financing methods of agricultural production (Shahbanov and Gunasheva 2013)
Sheikina E.A.	Improving the risk insurance system of the agribusiness industry (Sheykina 2016)

Suggested ways and methods to improve financial security of investing activities of the agribusiness industry do not reflect the totality of internal problems and contradictions arising in the development of certain elements of the financial system. Our study aims at systematizing and clarifying the basic problems of agribusiness industry development, revealing contradictions in its financial support system, as well as developing and justifying methodological approaches and organizational-methodical measures (focus areas) to overcome them. In the course of research, we identified the basic problems in the development of agribusiness industry of Russia, revealed four major contradictions in the financial security of agribusiness industry development, and proposed approaches and measures to overcome these contradictions.

## Materials and methods

Legislative acts of the Russian Federation, normative and methodical materials of the Russian Federation ministries and departments and Bank of Russia, information from periodicals and scientific publications on the issues of financing and development of investing activities of the agribusiness industry were used as the information base for the current study. The study was conducted based on the use of general research methods of a comprehensive, systematic, and logical analysis of financial and economic mechanisms and tools applicable to the development of investing activity of the agribusiness industry entities.

## **Results**

Agribusiness industry of Russia is developed in terms of negative impact of serious problems and contradictions, which reduce the soundness and sustainability of its dynamic growth. The most significant development problems of contemporary Russian agribusiness industry include the following aspects:

1. Slow organizational, structural and technological modernization of the industry that reduces production and natural potential and resource opportunities of the industry;
2. Weak development of market infrastructure of agribusiness industry (especially in the backward and depressed regions), impeding the access of agricultural producers to resource and sales markets of agricultural products;
3. Financial instability caused by insufficient financing of reproduction processes, imbalances in the structure of investments, low profitability of agricultural production, and weak development of insurance system in agribusiness industry , as well as other causes;
4. Social problems, caused by the poor development of the social sphere in rural areas, and in this regard, the outflow of rural population to the cities, an acute shortage of qualified personnel able to develop and manage an agricultural business in the current context of agribusiness development.
5. Insufficient and inconsistent state export-import policy (including customs policy) in the field of agribusiness industry food security and logistic.

Considered problems in development of Russian agribusiness industry and rural areas cause different and quite significant contradictions in the financial security of Russian agribusiness industry development, which retard the expanded reproduction, development, and economic growth of agribusiness. We identified the following four significant contradictions in the development of financial security of investing activities of the agribusiness industry.

1. The first contradiction is due to the fact that the Russian government, being the main subject of fiscal relations in forming the infrastructure of the agribusiness industry, tends to over-centralization and subsequent reallocation of financial investment resources. At that, the state took the major burden of solving the social problems in rural areas, such as protection of land, water, forest and other natural resources, preservation and enhancement of their quality, technological transformation of agricultural production, development of advanced market infrastructure of the agribusiness industry, as well as supporting agricultural science and education. However, the state does not ensure the fulfillment of these tasks, because of insufficient budgetary resources, as illustrated by the data in Table 2 (Main indicators of agriculture in Russia, n. d.).

**Table 2.** Structure of investments into fixed capital of agriculture in Russia depending on financing sources (percentage of total)

	2010	2011	2012	2013	2014	2015
Investment in fixed capital, total	100	100	100	100	100	100
of which:						
equity funds	49.3	44.3	46.8	44.8	52.9	61.5
external funds	50.7	55.7	53.2	55.2	47.1	38.5
of which budget funds	2.3	2.4	2.0	2.3	3.3	-
including from:						
Federal budget	0.7	1.0	0.7	1.1	1.9	-
budgets of constituent entities of the Russian Federation	1.4	1.3	1.2	1.0	1.3	-
local budgets	0.2	0.1	0.1	0.2	0.1	-

The proportion of budgetary investment resources of agriculture in Russia is not more than 2.5% that is extremely insufficient to solve the concerned tasks given the huge territorial scale of Russia. Insufficient level of financial security and the inability of the state to fulfill its budgetary obligations for these items sharpen the contradiction between the needs of agribusiness industry and financial opportunities of the state in terms of solving the most important reproductive challenges in agriculture across the regions, sectors (sub-sectors), economic actors, and scopes of activity.

2. The second contradiction is related to the problems of forming a rational and effective system of financial and credit infrastructure in agribusiness industry. It should be noted that the loans market in contemporary Russia is characterized by high instability, variability, and attachment to the exchange rate of the domestic currency to the US dollar, and thus loans market is almost completely dependent on world energy prices. Using the instability on this market, Russian banks are engaged in speculative and highly risky financial business, aimed at quick enrichment. Despite the increase in the number of actors of financial-credit infrastructure in agribusiness industry, price reduction on loan capital is not happening, while the management quality of the Russian banking sector and the regulation of economic instruments for financing agribusiness are worsening.

Features of agribusiness industry predetermine active and privileged use of long-term credit, which by banks and other investors is taken with apprehension. Moreover, the lack of interest in the financial block of the Russian Federation Government in strengthening Russian currency, inefficient regulatory mechanism of long-term investment loan, and lack of government incentives for long-term investment does not allow the enterprises of agribusiness industry to get relatively

cheap long-term loans. In this regard, we should recognize the financial and credit policy of the Central Bank of Russia to be extremely inefficient.

Measures of the Central Bank of Russia on revocation of banking licenses, taken in recent years, not only do not lead to improvement of the situation, especially in the regions, since regional banks are reduced, but on the contrary, strengthen the monopoly of certain banks and their impact on financial-credit policy of the state. Consequently, an extremely negative contradiction has emerged in the financial sector in today's Russia: on the one hand, there is the centralization of financial resources in a number of large banking institutions with state participation and state support, and, on the other hand, the price of loan capital for consumers operating in the interests of Russia's national security increases. Using their monopoly position, "state" banks form the financial and credit policy of the state aimed at enriching the banking sector of the economy to the detriment of the real sector of the economy and especially the agribusiness industry. Current financial and credit mechanism along with the mentioned shortcomings leads to increased financial dependency of agricultural producers on the banking system, because today commercial banks practice long-term lending on the security of property of agribusiness industry entities. The debt growth dynamics of agricultural enterprises to financial institutions are presented in Table 3 (Main indicators of agriculture in Russia, n. d.).

**Table 3.** *Indebtedness of Russian agribusiness industry enterprises to lending institutions*

	2013	2014	2015	Growth ratio
Total indebtedness of agribusiness industry enterprises, , bln rubles	3529.8	7441.5	8803.5	2.4
including				
Accounts payable, bln rubles	1196.2	1357.3	1654.4	1.4
Debt on loans, bln rubles	2333.6	6084.2	7149.4	3.1

As a result, in fact, we face the reinstatement of the analogue of serfdom law, from which Russia formally has got rid of in the XIXth century. Further, in the period of socialist collectivization in the 1930s of the XXth century, a new form of serfdom law was restored for collective farm members, restricting their rights in migration. It was gradually eliminated by the 70s of the XXth century. Currently, "thanks" to improper financial and credit state policy there is a trend of reinstating slavery in the agrarian sector of the economy. This is evidenced by the increasing number of bankruptcies of agricultural enterprises that is accompanied by transition of their property to commercial banks. According to the letter of Rosselkhozbank addressed in 2015 to the Committee of the State Duma: "the current level of financial stability of agricultural enterprises is assessed as insufficient for timely servicing of received loans" (Doronin 2015; Anikina, Gukova, Golodova and Chekalkina, 2016; Bashmakov, Popov, Zhedyaevskii, Chikichev and Voyakin 2015; Frank,

---

Mashevskaya and Ermolina 2016; Ovchinnikov, Kozenko, Bichkov, Kabanov and Karpova, 2015).

In consequence of such long-term agricultural lending of agribusiness industry, the agricultural production collapses that is accompanied by withdrawal from circulation of agricultural land, loss of the owners, and the diversification of agricultural enterprises activities. On a national scale, Russia loses in general not only the non-produced agricultural products but also processed lands suitable for agricultural production. Besides, rural areas infrastructure is destroyed, rural population is decreasing, and whole settlements disappear in rural areas.

In this regard serious regulatory decisions are needed to create an effective financial and credit mechanism for promoting long-term lending of agribusiness industry of major banks with state participation, up to a ban on knowingly issuing bad loans to agricultural producers.

3. The next (third) contradiction in the financial security of agribusiness industry is stipulated by shifting the center of gravity of budget financing and direct subsidy assistance for agribusiness industry at the regional level that is not achievable because of their plural socio-economic development and the wrong financial-budgetary regional policy of the state (The main directions of budgetary policy for 2014 and the planning period of 2015 and 2016). Such a policy of regional financing of agribusiness industry can lead to a significant deterioration in the living standards of broad segments of the population in the regions, increase of debts of the regions to the federal budget and commercial banking institutions. According to some researchers, increasing the debt of the regions from 35 to 60% of budget revenues by the beginning of 2018 will result in situation where regions' needs for annual refinancing of the debt will exceed the region's revenues by 15%. Based on Russian crises practices of the 1998 and 2008-2009, there is a risk of regional defaults in case of excess of specified levels (Aliev, Karimova and Adzhieva, 2012). If we allow regions to carry out the indexation of costs, this may bring imbalance in regional budgets (Grebennikova and Stepanova, 2010). In addition, such subsidizing mechanism of agriculture can lead to the nation-wide split-up of the single market of agricultural producers (Kundius, 2007).

Therefore, when making financial policy for agribusiness industry development in the regions, it is necessary to take into account the world experience in financing of the agricultural sector to identify priority areas funded from the federal budget, as well as the costs to be shifted to the regional budgets. In world practice, the most successful projects are those with direct state financing of agrarian economic actors and structures by subsidizing certain types of agricultural production and products. At that, projects for the promotion of social infrastructure of rural areas should be funded at the expense of regional budgets. This includes the construction of local roads, electrification, gasification, water supply, methodical and information support of agricultural production as applied to regional conditions, as well as other

infrastructure projects. At the same time, in the Russian context with its significant regional differences and high regional differentiation in the socio-economic development, uniform approach to these issues may not be. Each specific region needs the individual approach in the formation of fiscal policy.

4. The fourth contradiction in the financial support of agribusiness industry is a need to strengthen the financial state and solvency of agricultural producers. The problem of financial security of agribusiness industry concerns strengthening the financial condition of agricultural enterprises, because functioning of the financial system of agribusiness industry does not provide the formation of financial resources to ensure expanded reproduction in agriculture. Measures taken by the state on restructuring of accounts payable (Postnova and Romanova, 2016; The law on the fixed agricultural tax, 2003), subsidizing and compensating part of costs of agricultural production (The rise in food prices in Russia in 2016), introducing agricultural insurance system, etc. do not reduce the severity of this contradiction. On the contrary, despite higher prices for agricultural products, we do not observe strengthening the financial condition of agricultural producers. In addition, since 2014 there is a quite clear trend showing decline in the living standards of most of the population in Russia and reduction on this basis in consumption of agricultural products (The crisis has changed the taste and quality of the products; the market is filled with food counterfeit). In this regard, there is a need for legislative regulation of prices for basic foodstuffs, although this measure cannot fully solve the problem of financial security of agribusiness industry, as well as improve the mechanism of subsidizing agricultural production.

## **Discussion**

Problems of the financial security raised in the Russian agribusiness industry need to develop methodological and organizational approaches to overcome them. Methodological approaches and organizational arrangements necessary for the development of the financial system of agribusiness industry of Russia in accordance with the objectives of its functioning and efficiency are given in Table 4.

**Table 4.** *The main objectives, methodological approaches, and organizational arrangements to strengthen the financial system of the agribusiness industry*

Objectives of the agribusiness industry	Methodological approaches	Organizational arrangements
1.1. Building the financial base of the agribusiness industry	2.1.1. Estimation of the required amount of financing in the agribusiness industry activity areas; 2.1.2. Methods of fiscal duty to generate a financial base of agribusiness industry; 2.1.3. Effectiveness analysis of spending state programs	3.1.1. Basic study of agribusiness industry needs; 3.1.2. Creation of a coherent funding from different budgets and investment funds; 3.1.3. Issue of state agricultural bonds and securities;



	funds.	3.1.4. Identifying opportunities of established financial base of agribusiness industry.
1.2. Building of the social rural infrastructure of the agribusiness industry	2.2.1. Estimation of the required amount of financing of rural social infrastructure of the agribusiness industry; 2.2.2. Methods of fiscal duty to build rural social infrastructure for the agribusiness industry; 2.2.3. Effectiveness analysis of spending financial means for the construction of the rural social infrastructure of the agribusiness industry.	3.2.1. Studying the needs of the rural social infrastructure for the agribusiness industry; 3.2.2. Organization of short-term and long-term lending with low interest rates; 3.2.3. Identifying opportunities of built rural infrastructure of the agribusiness industry.
1.3. Improvement of material and technical infrastructure of the agribusiness industry	2.3.1. Estimation of the required amount of financing to improve material and technical infrastructure of the agribusiness industry; 2.3.2. Methods of fiscal duty to improve material and technical infrastructure of the agribusiness industry; 2.3.3. Effectiveness analysis of spending financial means to improve material and technical infrastructure of the agribusiness industry.	3.3.1. Study on improvement of material and technical infrastructure of the agribusiness industry; 3.3.2. Crediting of technical re-equipment, leasing of equipment, machinery, and breeding stock, as well as investment in fixed assets of enterprises; 3.3.3. Identifying opportunities of the advanced material and technical infrastructure of the agribusiness industry.
1.4. Providing economic growth and promotion of competition	2.4.1. Estimation of the required amount of financing to ensure economic growth and promotion of competition; 2.4.2. Methods of fiscal duty and distribution to ensure economic growth and promotion of competition; 2.4.3. Effectiveness analysis of spending financial means to ensure economic growth and promotion of competition.	3.4.1. Fundamental studies on economic growth and promotion of competition; 3.4.2. Preferential taxation and granting subsidies for the production development; 3.4.3. Insurance and hedging of the future crops; 3.4.4. Definition of indicators (indexes) of economic development and competition in the agribusiness industry.

The proposed comprehensive set of measures is aimed at eliminating the existing contradictions in the financial security of the agribusiness industry and overcoming the problems in the development of this sector of economy.

1. To address the first contradiction, which is stipulated by insufficient financial resources of the state to meet all the needs of the agribusiness industry, it is necessary to conduct an independent scientific and practical investigation to justify these financial needs, and further assess the capabilities of the state for replenishment of the budget under the particular article. We can offer the following organizational measures aimed at increasing budget revenues and compensating missing amounts of financing of agribusiness industry at the state level:

- issuing of government securities (government bonds);
- attracting foreign investments for creation of agricultural enterprises in the territory of the Russian Federation, including the banking resources of the countries of the Shanghai Cooperation Organization and Eurasian Economic Union, which are not subjected to sanctions by the US and the EU;
- privatizing the large agro-industrial enterprises in the country to ensure the involvement of their capital in the stock markets.

2. To eliminate the second contradiction, it is advisable to ensure the consistency and stability of financial regulators through improving the regulation quality of Russian banking system by the Central Bank. At that, Central Bank of Russia should restrain the growth in the number of actors of the financial-credit infrastructure in agribusiness industry according to the territorial principle, shifting the focus to the performance criterion.

Commercial banks, which cause instability of the financial system in agribusiness industry, should be deprived of licenses. In this context, the activities of micro-credit financial institutions, debt collection agencies, as well as providing microcredits at high interest rates should be legislated to ban because of their speculative and often criminal nature.

Economic and financial policy of the Central Bank of Russia, as the state regulator of credit financial and investment relations should be directed at reducing bank interest rates and ensuring growth of long-term investment lending of the real economy sector and primarily agribusiness industry.

In order to mitigate the investments risks in production and long-term investment projects, it is necessary to develop a system and mechanism to provide state guarantees through state insurance of investment.

In addition, to reduce the high rates of insurance contributions, it is necessary to accumulate cheap financial recourses, which can be obtained by changing policy of the Central Bank of Russia concerning decreasing interest rates and using funds in

the insurance business, received by the banks in the financial markets. Besides, these cheap financial recourses could be used by these banks after allocation in the real sector of the economy, including bank activities in the provision of insurance services. In this respect, highly relevant is the implementation of the so-called “Islamic” approach in investing resources into the agribusiness industry, where the investor and the producer-borrower are jointly and severally liable for the end result, equally sharing both profits and losses from implementation of investment projects. At that, the low cost of loan capital is achieved by the fact that the investor does not take interest for the means invested from the borrower. This will increase the interest of financial institutions providing financing in extending long-term investment loans to agricultural producers. Besides, this should be tied to the opportunity of obtaining speculative incomes also by banks. In particular, these incomes should be invested in development of agribusiness industry. However, for the effective solution of this problem, it is necessary to allow the use of the gains earned by speculative way only after their provision in the form of cheap long-term loans to producers of the agribusiness industry and returns of these means to banks in the form of payments.

Such restrictive measures will allow the use of speculative gains of banks as sources of economic development of agribusiness industry, in particular, and the country in general. At that, without restricting banking transactions, it is possible to achieve the balance of interests between bank as the credit institution, on the one hand, and the agency of the state financial system, on the other hand.

In order to protect the agricultural producers’ assets from transferring their property to banks, state should implement a system of public insurance of risky activities.

3. The equalization of economic development level of the regions should be an important direction in the state regional social-economic policy because of the uneven agro-industrial and economic development of individual regions in the Russian Federation. It is necessary to eliminate the disunity of the agricultural producers market through the development of a unified rural social infrastructure as well as material and technical infrastructure of agribusiness industry and the financial system to encourage development on a national scale. To reduce social risks related to social unattractiveness of depressive agricultural regions, it is necessary to fund the establishment and operation of a developed rural infrastructure, high-quality road network, as well as cultural and sport institutions network providing at the same time a constant monitoring of the current situation through federal and regional authorities. It is necessary to establish financial and legal conditions for the resettlement and adaptation in the agricultural regions and rural areas of the Russian citizens and compatriots from the CIS countries, primarily through the construction of quality affordable housing for rural residents. The ultimate goal of the state regional policy should be forming potential opportunities to ensure own food security through the development in each region of the country, taking into account regional climatic conditions, acceptable types of agricultural production, as well as providing conditions for transformation of the particular

territory from a subsidized region, in terms of food and other agricultural products, into the region exporting products of the agribusiness industry. Implementation of the proposed measures will contribute to overcoming the third contradiction in financial and budgetary spheres of the regions through the development of own exporting agrarian production.

4. In order to strengthen the financial system of agricultural enterprises, we should improve the restructuring mechanism of bills payable and freeze the growth of interest on troubled debts. Given certain positive shift in the development of the agricultural sector of economy under conditions of limited import to Russia of agricultural products, it is necessary to actively use this argument to encourage the development of national agricultural production. This requires the effective use of the customs taxation mechanism of imported agricultural products. In addition to non-financial support of national agricultural producers, this will lead, on the one hand, to limitation of cheap low quality mass consumption of agricultural products; though, on the other hand, the growth in customs duties will compensate the losses of fiscal revenues from imports of agricultural products. Certainly, these measures will strengthen the competitive position of national agricultural producers, increase income, and improve the financial condition and solvency of agribusiness industry enterprises.

To reduce the macroeconomic risks associated with a fall in world prices on Russian exports of agricultural products, the state should procure at prices acceptable to producers, followed by processing for replenishment of the state strategic storage and solution of other governmental humanitarian problems, as well as the regulation of market prices in favor of the country and agricultural producers. In this regard, it is necessary to develop the hedge funds institution, as well as mechanisms and tools of risk hedging due to low prices on commodity exchanges providing the subsequent compensation of financial losses to the producers of the agribusiness industry. An important factor in the strengthening of contemporary agricultural production is product quality which is significantly deteriorating. In this regard, to solve the problems related to the increase of profitability of agricultural producers by the state, it is required to provide regulation (certification) of agricultural products in terms of quality indicators, so that consumers would clearly understand what product and for what money they get.

There is a need to develop a legal mechanism that would limit the emergence in the food market of the country poor-quality analogs under the guise of quality products. Manufacturers of quality agricultural products should not suffer from dumping prices on cheap low-quality food products. In addition, it is necessary to legislatively prohibit agricultural producers from manipulating the packaging weight of produced products, clearly defining the packing volume standards. This consumer fraud comes in droves, selling, for example, 0.9 liter (kg) containers for the price of 1 liter or 1 kg (The food changes in taste and weight; the food changes in taste and weight). It is important to regulate advertising activity with regard to food essentials, in order to

reduce the share of advertising costs (income of advertisers) in sale prices. Thus, as a result of implementing the identified measures, a niche of cheap product analogs and the expensive high-quality products will emerge in the Russian food market, just as it happens in other countries. This will allow the enterprises of agribusiness industry to earn an income (profit) corresponding to the achieved quality level of produced and sold products. In the solution to the problems related to financial provision of agribusiness industry development, a special place is occupied by state subsidizing of certain productions, sectors and types of produced agricultural products. Based upon the variety of subsidizing forms and objects, agricultural producers of the Republic in general receive significant state financial support.

At that, the amounts of subsidies increase from year to year, submission mechanism simplifies, while the range of subsidized objects expands. However, it should be noted that the dynamics of the financial support structure is not characterized by certain trends and that indicates the lack of an integrated development program of Russian agriculture, supported by relevant financial resources. The current practice of allocating budgetary assistance to agriculture of the Republic, dominated by subjectivity and the principle of bureaucratic discretion, cannot solve the basic development problems of agriculture.

Therefore, despite the growing trend in state financial support of agricultural production industries and types, efficiency of agricultural production over these years has not increased, the volume of agricultural products produced in the agricultural enterprises increased insignificantly, consumer prices for agricultural products are not reduced, and the agricultural industry is still subsidized.

One reason for this situation is that the allocated state subsidies do not reach the direct producers for subjective reasons and are plundered in the course of financing. Another reason, in our view, is that the current allocation mechanism of subsidies to agricultural enterprises has significant drawbacks. The current system of agricultural production subsidizing does not encourage the production growth and increasing of its effectiveness because it leaves out the final result of economic activity.

In our opinion, it is necessary to back out of inefficient subsidies and targeted programs financed from the federal budget. State financial support should be targeted and aimed at maintaining the profitability of agricultural producers in the face of declining crop yields due to bad climatic conditions, and reducing sales prices due to intrinsic reasons, independent from producers, and other extreme conditions. At that, granting subsidy should be based on actual production and sale of products.

In this regard, it seems appropriate to change the mechanisms for granting subsidies, setting them in relation to the prices for sold products. In addition, it makes sense to differentiate the amount of subsidies received by enterprises, depending on the profitability of production of specific products. Improving the targeting and

efficiency of subsidies will enhance efficiency of agricultural production and investment attractiveness of the industry.

Thus, subsidizing of agricultural products should be done subject to sales, as well as maintenance or improvement of product quality (i.e., backed by expected revenue). In general, these measures will contribute to the expansion and development of agricultural production, increasing incomes from sales of products, and gradual overcoming of the fourth contradiction in the functioning of the financial system of the agribusiness industry, i.e. the contradiction between the need to replenish financial resources to ensure expanded reproduction, and insufficient opportunities for their replenishment by producers of agribusiness industry.

## **Conclusion**

Key methodological approaches and organizational-methodological measures presented in the article and aimed at the development and strengthening of financial system of agribusiness industry, allow eliminating the identified problems and contradictions of the financial security of the Russian agribusiness industry. Step-by-step solution, based on the use of advanced methodological approaches and setting organizational processes to the agriculture financial support problems, will contribute to:

- stabilization of financial system of the agribusiness industry;
- acceleration of structural and technological modernization of the agricultural sector;
- creation of favorable conditions for the development of agricultural regions and rural areas, facilitating access of agricultural producers to the markets of all kinds;
  - encouraging the involvement of qualified personnel in the agricultural sector through financial and social incentives (the provision of cheap and quality housing, improving the network of educational school and preschool institutions, as well as medical, sports, and health institutions, and leisure facilities).

## **References**

- Aliev, B.Kh., Karimova, Z.A., and Adzhieva, L.A., 2012. Problems of the execution of revenue part of the budgets of the Russian Federation regions and ways of their solution]. *Finance and Credit*, 47(527), 39-44.
- Anikina, I.D., Gukova, V.A., Golodova, A.A and Chekalkina, A.A. 2016. Methodological Aspects of Prioritization of Financial Tools for Stimulation of Innovative Activities. *European Research Studies Journal*, 19(2), 100-112.
- Babaev, Z.Sh. 2015a. Investment policy in the agricultural sector]. *Financial Economy*, 3, 116-118.
- Babaeva, Z.Sh. 2015b. Investment climate and investment attractiveness of the region: essence, factors, and determining methods. *Economics and Entrepreneurship*, 10-2(63-2), 215-218.

- Bashmakov, A.I., Popov, V.V., Zhedyavskii, N.D., Chikichev, N.D and Voyakin, A.E. 2015. Generic Heurorithm of Innovation Management from Generating Ideas to Commercialization. *European Research Studies Journal*, 18(4), 47-56.
- Brovkina, L.I. 2011. Issues of financial provision of agribusiness industry development and ways of their solution at the regional level. *Bulletin of Adyghe State University. Series 5, Economy*, 3, 159-166.
- Dokholyan, S.V. and Magomedova, M.E. 2011. Economic sustainability of agricultural enterprise: the essence and factors. *Regional Problems of the Economy Transformation*, 3, 169-191.
- Doronin, S. 2015. The most acute problem of agribusiness industry is a credit debt. Retrieved 14.02.2017 from [http://www.spravedlivo.ru/5\\_72995.html](http://www.spravedlivo.ru/5_72995.html).
- Eremeeva, O.A. 2014. The influence of the investment dynamics on production growth in agriculture]. *Pressing Issues of Contemporary Economy*, 3, 158-160.
- Frank, E.V., Mashevskaya, E.V. and Ermolina, L.V. 2016. Innovational Mechanism of Implementation of Cluster Initiatives in Business. *European Research Studies Journal*, 19(1), 179 -188.
- Grebennikova, V.A. and Stepanova, E.A. 2010. Perfection of relations between the Russian Federation and its constituent entities (municipal formations) to reduce risks of territorial budgets income. *Finance and Credit*, 46, 30–34.
- Kostyukova, E.I. 2008. Credit granting of the agricultural sector as the major factor of agricultural production development. *Finance and Credit*, 23, 71-74.
- Kovyrshin, M.A. 2010. Credit and financial system as a key factor of economic growth in the agrarian sector of agribusiness industry. *Bulletin of Altai State Agrarian University*, 8, 82-88.
- Kundius, V.A. 2007. *Economy of agribusiness industry*. Barnaul: Publishing House of Altai State Agrarian University, pp. 669.
- Kuz'mina, E.V. 2014. Financing problems of the investing activities in the agribusiness industry. *Contemporary Problems of Science and Education*, 2, <https://science-education.ru/ru/article/view?id=12388>
- Main indicators of agriculture in Russia. [http://www.gks.ru/wps/wcm/connect/rosstat\\_main/rosstat/ru/statistics/publications/catalog/doc](http://www.gks.ru/wps/wcm/connect/rosstat_main/rosstat/ru/statistics/publications/catalog/doc)
- Ovchinnikov, A., Kozenko, Z., Bichkov, M., Kabanov, V. and Karpova, A. 2015. Strategic Management of Sustainable Development of Agro-Industrial Complex with Economic Integration. *European Research Studies*, 18(3), 307-315.
- Popova, L.V. 2008. Contradictions and development stages of the state financial regulation mechanism of agribusiness industry. *Finance and Credit*, 28, 49-53
- Postnova, M.V. and Romanova, E.V. 2016. Practical aspects of carrying out the rapid analysis of investment projects efficiency in the agricultural sector of the economy. *Urgent problems of agricultural science and ways of their solution, Collection of scientific works. Kinel'*, 651-654.
- Saparaliev, A.A. 2013. Financial mechanism of investment resources formation] *Proceedings of the 9<sup>th</sup> International scientific and practical conference "Global Scientific Potential"*, Sophia.
- Shahbanov, R.B. and Gunasheva, Kh.G. 2013. On the issue concerning the investment attractiveness of the agribusiness industry in the regional economy. *Scientific Review, Series 1, Economy and Law*, 1-2, 175.
- Sheykina, E.A. 2016. Ways to improve financial provision of agribusiness industry enterprises. *Economy and Innovations Management*, 9, 57-58.

The food changes in taste and weight Statements, 3876

<http://www.vedomosti.ru/business/articles/2015/07/20/601228-u-edi-menyaetsya-vkus-i-ves#/galleries/140737492349135/normal/1>.

The law on the fixed agricultural tax. 2003. Russian Federation Law, 3-9.

The crisis has changed the taste and quality of the products; the market is filled with food counterfeit. <http://www.newsru.com/finance/20jul2015/prodfalsificat.html>

The main directions of budgetary policy for 2014 and the planning period of 2015 and 2016]. Retrieved 14.02.2017 from [www.lminfin.ru](http://www.lminfin.ru).

The rise in food prices in Russia in 2016. <http://rusdni.ru/obschestvo/rost-cen/rost-cen-na-produkty-v-rossii-v-2015-godu.html>.