

***Maria Pestis, Dmitry Rudenko, Elena Rudenko, Pavel Pestis***

Economical Faculty

Grodno State Agrarian University, Belarus

## **Financial position of agricultural enterprises of Belarus and its perfection**

### **Introduction**

One of the main problems of social and economic development of any society and State is the problem of farm production. Therefore practically all countries support all agricultural producers and village territories.

And like this was in the Soviet period up to 1990 year. At minimum expenses of tax payments of collective farms and state farms separate investment programs, melioration, cultural and technical works, chalking, exportation of peat for fertilizing, veterinary and sanitary measures and keeping of infant schools etc. are financed from State budget. Buying of main material resources (fertilizers, petroleum, the electric power and gas, agricultural machinery) compensating due to the budget on 50%. In 1988–1990 years profitability was on the level of 40–42% because of purchasing prices on agricultural production and system of extra charges for excess of achieved level and differentiated extra charge to the farms working in the worst natural-economic conditions. On prime cost of produced production on dairies and meat-packing factories 25% from purchasing prices on milk, 19% on beef and 49% on pork were paid to farms. It promotes supporting of stable prices on dairy and meat production. Everything else was covered due to union budget. Almost all farms received incomes from food activity and it was enough for development of industrial and social sphere. At that time the Level of development industrial and a social base in a farm-production was high enough. In 2006 on production volumes we achieved only 75% of that level [Pycak 2007].

### **Methods of research**

Authors on the basis of statistical information analyze results of activity of agricultural organizations of Belarus and the level of State support and direction of expenditure of budgetary funds is evaluated.

Carried out researches allowed to reveal problems in financial position of the agricultural enterprises and ways of its further perfection are planned.

## Results of research

During liberal reforms of first half of 90th years of last century much from achieved in agrarian and industrial complex has been destroyed. In 90th years the State managed not so generously with agriculture. The State support has been minimized, credits were issued under huge percent and fund of support of agricultural producers were small. The sum of added percents for using of credits and taxes exceeded assignments from fund and budget. The Agriculture continued its existence due to the saved up potential of last years. For example in 2000 assignments from the budget in fund of support constituted 409 billion rubles and taxes and percent paid to banks constituted 738 billion rubles. So difference is not in favour of village has constituted 329 billion rubles or 412 million US dollars. On positive support farms have gone out only in 2004 year. Techniques bought at the expense of republican fund of support almost on 1 billion rubles have been transmitted to farms to long lease. But not all farms could pay a rent and by the end of 2004 year expire debts was accumulated more than 500 billion rubles (nearly 250 million US dollars). In 2006 year has been written off 500 billion rubles of this indebtedness and other part is extend up to 2012 year [Пархоменко 2007].

The last 15 years existed disparity of prices on agricultural and industrial products which in last 3 years was a little reduced. Annually from agriculture in result of nonequivalent exchange was pumped over industry up to 1 billion US dollars in equivalent. By calculation of Institute of Agrarian Economy of National Academy of Science of Belarus agriculture in result of it has received less more than 10 billion US dollars. For years of reorganization (perestrojka) in result of nonequivalent exchange of other factors losses of agriculture evaluated in more considerable sum.

Investments into farm-production were reduced. If in 1985–1990 years specific gravity of investments into agriculture constituted 25–30% of total investments into national economy than in all next years it would be no more than 5–7% while industrial investments were not less than 30%. Specific weight of assignments on agro-industrial complex in total amount of enough poor at that time consolidated budget of republic constituted from 9 up to 12% or 3–4% from GDR. It has led to decrease in output of products in agricultural organizations. For example in 2000 in comparison with 1990 years production of grain has decreased for 36%, a potato – in 3.3 times, vegetables – in 2 times, realization of

cattle and poultry – in 2.5 times and production of milk decreased in 2.1 times. More than in 2 times the quantity of tractors and combine harvesters and other agricultural machinery have decreased. Almost in 2 times bringing of mineral and organic fertilizers has decreased. The country stood on border of food crisis. In process of overcoming the crisis phenomena in republic support of agriculture from the State was increased [Бычков 2006]. Firstly it was seen in technique which has started to be felt from 2004 year when the republican fund of support agricultural producers has increased up to 1.2 billion rubles (570 million dollars) and interest rates under credits from 120% in 2000 year have decreased to 25–18% (Table 1).

**Table 1**

Dynamics of change of accounts payable and main economic indicators

Details	2000	2001	2002	2003	2004	2005
Account payable in relation to total amount:						
Production of gross output	0.30	0.35	0.27	0.41	0.45	0.47
Proceeds from realization of agricultural production	0.55	0.68	0.49	0.76	0.72	0.77
Gross income	1.54	2.37	1.57	2.78	1.67	1.55
Profits from realization of production, %	11.0	–6.8	–9.7	–11.6	15.0	18.5

In 2004 have been accepted Decrees of President of Belarus No 138 from 19th March 2004 and No 280 from 14th June 2004 according to which:

- purchase prices on the basic kinds of agricultural production are increased milk, horned cattle and pigs extra charges to purchase prices are established,
- delay of debts for energy carriers on fund of social protection of population and budgets of all levels is carried out,
- investments into agriculture due to leasing of agricultural machinery are increased,
- due to long-term credits of banks building dwelling houses in village has begun.

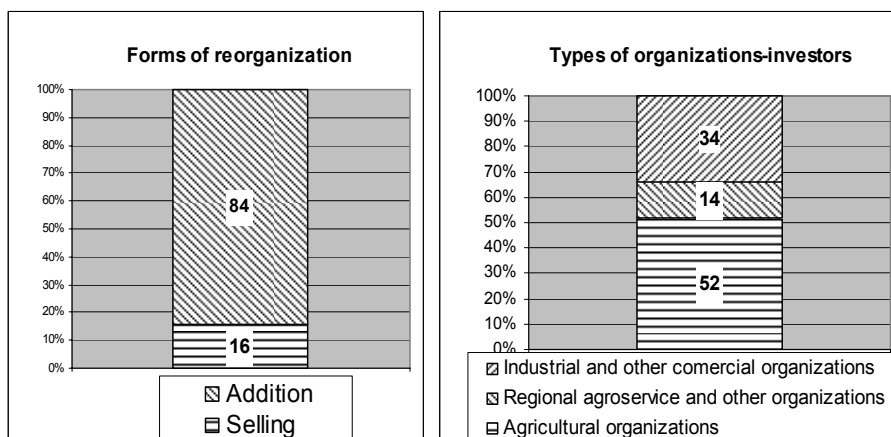
The separate direction provides reforming the unprofitable agricultural enterprises. In facts given on 1st January 2006 has been radically reorganized 505 unprofitable agricultural enterprises by transferring their resources to the effective organizations-investors. Results of transformation of unprofitable organizations conducted in regions during 2004–2005 years are presented in Table 2.

**Table 2**

Transformation of organizations with a critical level of financial position in 2004–2005

Region	In conditions on 1.01.2004		In conditions on 1.01.2006				
			Reorganized according Decrees No: 138, 280		Coming out on operated work taking into account preferences of the State and industrial reorganization		Liquidated according Law
	Quantity per unit	%	Quantity per unit	%	Quantity per unit	%	
Brest region	110	8.7	41	8.3	69	9.2	–
Vitebsk region	343	27.3	133	26.4	210	28.1	–
Gomel region	250	20.0	74	14.6	176	23.6	–
Grodno region	89	7.2	32	6.4	57	7.6	–
Minsk region	245	29.0	140	27.9	105	14.1	–
Mogilev region	212	16.7	81	16.4	130	17.4	1
Belarusian co-operative society	4	–	4	–	–	–	–
Republic of Belarus	1253	100	505	100	747	100	1

From total amount of reorganized unprofitable enterprises 16% of enterprises are sold to juridical persons-investors as property complexes and 84% are attached (Fig. 1).

**Figure 1**

Forms of reorganization of enterprises of Agro Industrial Complex and types of organizations-investors

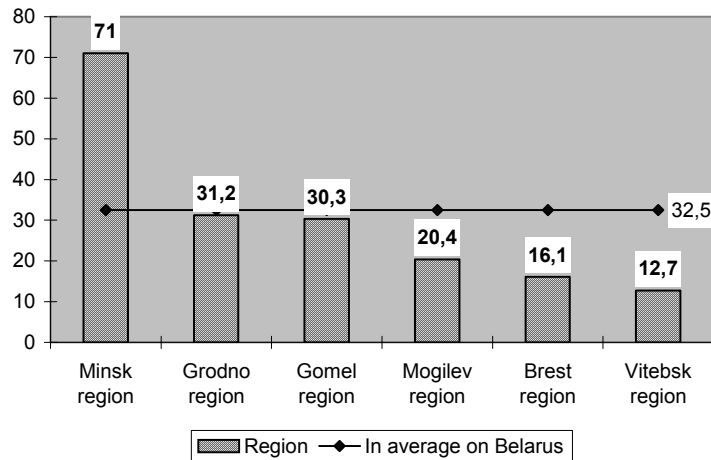
In the form of jointment in property to the possession of investors of 420 objects is transferred. It is necessary to note that among of investors who have acquired property complexes of unprofitable organizations 52% agricultural enterprises of various forms of ownership have constituted, 34% – industrial enterprises (including private) and other commercial structures including financial institutions constituted 14% – agro service and other organizations of agrarian and industrial complex have constituted. It is remarkable that 35% from total number of added to agricultural organizations of unprofitable organizations are necessary related in Vitebsk region. In the country to investors 85 unprofitable agricultural organizations are sold. The price of selling was established at the rate of 20% from cost of clean assets with payment by installments for 3 years without indexation and has constituted 50 billion rubles. From among the sold enterprises 51% was in the Minsk region where has been sold to investors 37 property complexes of agricultural production cooperatives for sum of 17 billion rubles and 4 objects of republican property in total cost of 4.2 billion rubles and 10 objects of communal property in total cost of 8.8 billion rubles. Minimum price of sale in 2004 has constituted 5.2 million rubles (property complex Agricultural Producers' Co-operative «Pekalin» Smolevichskij region is sold to Individual Owner «Shtoc-Agro-Service»). Maximum price of sale was equaled 2.7 billion rubles (property complex Agricultural Producers' Co-operative «Ozereckij» Smolevichskij region is sold to Private Unitary Agricultural Enterprise «Ozereckij-Agro» Public Corporation Belagroprombank) [Гусаков, Бельский 2007].

In facts given in 1st January 2006, to organizations-investors is transmitted to use (rent) 1.9 million in hectares of agricultural grounds that constitutes 25% from total number of lands which are in use of agricultural organizations of country. Quantity of occupied in agrarian production of organizations-investors constituted 24.2% from total number of workers of republican agricultural organizations 104.4 thousand persons.

From the moment of reorganization of unprofitable agricultural enterprises by investors under various programs in agrarian production more than 740 billion rubles is invested. In this sum internal funds of investors constituted 65%, budget –14%, credits of banks –12% and others – 9%.

Volume of deposits of organizations-investors counting on 100 hectares of agricultural lands is presented in Figure 2.

In Minsk region amount of investments on 100 hectares of agricultural lands more than in 2 times exceeded average republican and almost in 6 times which were achieved in Vitebsk region. Joint Enterprise Closed Company «Slavneft-start» (17.1 billion rubles), Regional Unitary Enterprise Industrial Union «Belaruskali» (16.9 billion rubles), Limited Company «Firm «Zhdanovich» (14.2 billion rubles), Public Corporation «Derzhinsk Poultry Factory » (11.9 billion



**Figure 2**

Financial investments of organizations-investors in development of an agriculture on 2004–2005 on 1 hectare from lands, one million rubles

rubles), Regional Unitary Enterprise «Minsk Tractor Plant» (8.2 billion rubles), Limited Company «Oma» (2.2 billion rubles) concern to largest investors. Increase of investors' activity is promoted by fixed legislation privileged system of taxation established allowing them during 3 years (since 2005) to acquire agricultural machinery, equipment and spare parts to them for the sum in equivalent of 150.0 thousand euro [Сборник рекомендаций... 2005].

For last 3 years the State support to agriculture was significant and constituted 7.5 billion rubles duplicated [Гусаков и др. 2006]:

- from republican budget – 1.0 billion rubles,
- from regional budgets – 2.0 billion rubles,
- from republican fund of support – 4.5 billion rubles.

All this has led to decrease of quantity of unprofitable enterprises (Tab. 3).

Unfortunately for the last years from allocated funds huge sums should be directed on liquidation of old debts and also foreign credits which were used for buying of import and native techniques and reduction of price of credit resources for buying of native techniques which is transmitted to leasing. On credit repayment and loans 1760 billion rubles is directed and on price reduction of credits – 356 billion rubles is directed. From a total sum of assignments 130 billion rubles are directed on keeping of budget organizations such as veterinary service, service of quarantine, with seeds and sort testing inspections. On financing of agrarian science 55 billion rubles is directed [Бычков, Володько 2006].

Due to own capital, budgetary funds and credits of banks investments into agrarian sector have grown. If in 2000 year on 1 hectare of agricultural lands 20 US dollars were invested in 2001 it would be 14, in 2004 – 57, in 2005 – 119, in 2006 – 190 US dollars (Tab. 3).

**Table 3**

Quantity of unprofitable organizations of system of Ministry of Agriculture and Foodstuffs of Belarus, per unit

Details	On 01.01.2004		On 01.01.2005		On 01.01.2006	
	Quantity	Specific weight %	Quantity	Specific weight %	Quantity	Specific weight %
Total sum on Ministry of Agriculture and food	1648	52.7	557	20.2	22	0.9
Including by branches: Agriculture	1400	59.6	295	14.2	7	0.4
Industry, including:	157	38.2	181	48.8	8	2.3
– Grain manufacturing industry	16	39.0	22	52.4	2	5.1
– Baking industry	2	5.4	4	8.0	0	0.0
– Meat industry	14	32.1	10	38.5	1	3.6
– Dairy industry	47	49.5	62	68.9	0	0.0
– Preprocessing of flax	43	78.2	36	67.9	0	0.0
– Mechanical engineering	5	19.2	7	30.4	1	4.5
– Repairing of machinery and equipment	8	20.6	6	25.0	0	0.0
– Others	22	33.3	34	54.0	4	6.5
Others	91	24.9	81	25.6	7	2.5

**Table 4**

Dynamics of level of State support of agriculture

Indexes	2000	2001	2002	2003	2004	2005
Budget funds, thousand rubles:						
– On one hectare of agricultural lands accounts	55.2	90.7	97.7	177	287	372
– On one average annual worker	780	1337	1693	3269	5529	7407
State grants in relation to total volume: Production of gross output of agriculture	0.24	0.21	0.15	0.27	0.32	0.33
Grain from realization of agricultural production	0.43	0.41	0.28	0.50	0.52	0.54
Gross revenue	1.21	1.42	1.0	1.83	1.2	1.1

For reduction of terms renewal of farms by native techniques the Republican program of equipment of agricultural-production modern native techniques on 2005–2010 years is developed and approved by the Decree of President of Belarus No 137 from 17th March 2005 year. By this Decree provided delivery of:

- combine harvesters – 8320 things,
- forage harvesters – 2260 things,
- loaders – 3900 things,
- energy rich tractors – 6432 things,
- agricultural cars MAZ – 8000 things,
- combined soil-cultivating and sowing units – 2890 things,
- ploughs – 6000 things,
- others technique.

The same decree approves new method of payments for supplied technique. Technique is bought due to credits of banks and transmitted in leasing to agricultural enterprises. Recipient of leasing during five years since second year symbolical initial installment and lease payments are paid. Under such scheme in 2005 year was bought technique with taking into account reduction of prices on 916 billion rubles in 2006 – on 1410 billion rubles for 2007 is provided to buy its on 1241 billion rubles

On the one hand, such scheme of accounts contributed to increasing of deliveries of technique and equips by it all farms. On the other hand it is not advantageous for agribusiness complex as cost of technique due to rent payments and high interest for bank credit manages on 50% more expensively. So we pay half of cost to banks. For example in the current year percent to banks constitute 230 billion rubles and in next year can reach 270 billion rubles. Besides it is necessary to return credits for banks: in the current year it is 351 billion rubles, in next year it will be 482 billion rubles concern to the largest investors, and in 2009 it will be 631 billion rubles etc. It is rather difficult. Since 2008 year from buying of expensive import equipment in leasing it is necessary to refuse with State support.

First of all investments into agriculture directed on re-equipment by techniques of new generation of native production, which still have not so good quality and reliability as foreign analogues. Reconstruction and technical re-equipment of stock-rearing farms together with rising of volumes of using fertilizers and cutting-edge technologies have allowed during 3 years to increase production volumes, agricultural production on 36% and to have gross yield of grain in size 6–7 million tons and sugar beet – nearby 4, potato – 8.3 and vegetables – 2.2 million tons. Due to intensive factors it was possible to increase production of animal production: milk on 50% and realization of cattle and poultry on 51% and eggs on 38%. By productivity in cattle breeding the best progress for all history of Belarus are exceeded.

It is necessary to tell about milk productivity. For 3 years the mid-annual yield of milk from a cow from 2611 up to 4019 kg was succeeded to increase. Among districts the first place borrows Minsk district where yield of milk formed 4472 kg. Among regions the best index has Neswizh region it is 6229 kg and almost 6000 kg milked in Grodno region.



## Conclusion

To sum up it is possible to establish that investments into agricultural-production in size nearby 2 billion US dollars in equivalent have allowed changing essentially into best side production process in village. In future it is necessary to obtain possibilities in increasing of investments as half of agricultural technique participating in production process has life time from 15 till 20 years and repairing and its service require huge costs because it needs to be renewed by more productive and less powerinputed.

In 2007 year the main source of financial support of agricultural producers is republican fund of support of producers of agricultural produce, the foodstuffs and agrarian science where craning in the sum of 2263.8 billion rubles (more than 1 billion US dollar) are approved.

But today we see that such earnings can not be as from payment in this fund by Decree of President firms of petroleum-refining industry are free that evaluated in 319 billion rubles.

Assignments from fund will be directed on:

- a) Price reduction of credit resources of bans under credits granted on investment and leasing of technique. It is constituted 241 billion rubles;
- b) Additions to purchase prices directed on buying of mineral fertilizers and facilities of plant protection. It is constituted 516 billion rubles;
- c) Price reduction of techniques supplied on conditions of leasing. It is constituted 418 billion rubles;
- d) Financing of program « Tribal work». It is constituted 72 billion rubles;
- e) Investments including into building and modernization of cattle-breeding and poultry farms, storages for flatten grains and other objects. It is constituted 194 billion rubles;
- f) Technical re-equipment of granary. It is constituted 100 billion rubles;
- g) Other programs as flax production, potato growing, vegetable growing, etc. But it is the small sums on 15–20 billion rubles.

Thus further work of agricultural enterprises should be directed on perfecting of economic activities, blameless work and capital renewals.

## Literature

РУСАК Л.В. Состояние и пути решения проблем развития сельскохозяйственного производства Беларуси // Белорусское сельское хозяйство № 4 – 2007, с. 7–13.

- ПАРХОМЕНКО Н. Совершенствование механизма распределения государственных инвестиций между реформированными сельскохозяйственными организациями // *Агроэкономика* № 2 – 2007.
- БЫЧКОВ Н. Механизм финансового оздоровления предприятий АПК и привлечения в них инвестиций // *Агроэкономика* № 9 – 2006.
- ГУСАКОВ В., БЕЛЬСКИЙ В. Научные основы совершенствования действующего механизма хозяйствования АПК // *Агроэкономика* № 1 – 2007.
- Сборник рекомендаций по реорганизации предприятий АПК. Под ред. В.Г. Гусакова. - Минск, Институт аграрной экономики НАН Беларуси, 2005 – 340 с.
- ГУСАКОВ В.Г., САЙГАНОВ А.С., БЕЛЬСКИЙ В.И., БЫЧКОВ Н.А. и др. Оценка реорганизации убыточных сельскохозяйственных организаций // *Белорусское сельское хозяйство*. 2006, № 1 с. 2–8.
- БЫЧКОВ Н.А., ВОЛОДЬКО С.И. Аннексия предприятий или принудительное присоединение убыточных организаций: выбор инвестора // *Аграрная экономика*. 2006, № 2 с. 10–14.

## **SYTUACJA FINANSOWA PRZEDSIĘBIORSTW ROLNICZYCH NA BIAŁORUSI**

### **Streszczenie**

Celem opracowania jest analiza finansowa przedsiębiorstw rolniczych na Białorusi. Wskazuje ona na najlepszą sytuację finansową przedsiębiorstw w latach 1990–2000. Obecnie główne kierunki pomocy przeznaczonej dla producentów rolnych wiążą się z: dotacjami publicznymi, podnoszeniem cen oraz problemem opóźnień w płatnościach. Oddzielne działania związane są z reformą, która idzie w kierunku fuzji przedsiębiorstw niedochodowych lub ich sprzedaży organizacjom bądź też inwestorom funkcjonującym bardziej efektywnie. W latach 2000–2006 poziom publicznych inwestycji wzrósł z 20 do 190 USD w przeliczeniu na jeden hektar. W znacznej mierze fundusze te przeznaczone są na modernizację technologii produkcji w rolnictwie. Istnieje również prawdopodobieństwo, że w przyszłości wystąpi konieczność rezygnacji z tej praktyki. Kolejne działania powinny być skupione na rozwoju efektywności produkcji rolniczej.