

# Investments in agriculture as the main direction of the Russian economy in terms of sanctions

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**Annotation:** This article outlines the features of attracting investments in agriculture. Large-scale investments are the main conditions for the development of Russian agriculture. The study analyses current state and trends in the development of investment activity in agriculture and considers state support of rural commodity producers in the field of attracting investments. The author proposes measures for effective regulation of investment activities in agriculture. The article discusses the implications of Western sanctions and a retaliatory embargo on the Russian economy.

**Key words:** investments, import substitution, agriculture, Russian economy, sanctions, government support.

Agriculture is included in a group of industries that ensure national security and national interests of the country, reducing dependence on other states. Active investment activities as well as large-scale investments are the main condition for the development of Russian agricultural production. However, agriculture is a branch of long-term investment. Recession processes in the economy, sanctions and a retaliatory embargo complicated the problems of its investment in Russia.[2]

In the Russian Federation, the economic situation has considerably deteriorated due to Western sanctions, which reduce the access of Russian leading banks and companies to foreign financial resources and reducing oil prices. In these conditions, a new agrarian policy that will protect domestic commodity producers from the conditions of unequal competition is necessary. One of the important directions of the protectionist policy of the state is the policy of import substitution. In order to develop real import substitution (not to replace some importers with others) it is necessary to develop a medium-term or long-term integrated program for import substitution, which will require attraction of a significant amount of investment resources. This requires formation of a favorable investment climate in the country. In accordance with the State Program for 2013–2020 investments in the industry should grow by more than a third.

The main sources of investment in agriculture are own revenues of commodity producers and attracted funds.[9] Now the share of own funds is only 43%. As for the producers' own incomes, they do not provide extended reproduction.

The share of attracted capital in investments has constantly been increasing for the last few years. The main part in the attracted capital accounts for borrowed funds. Therefore, along with increasing the profitability of the industry, it is necessary to expand the volume of investment crediting, as one of the main sources of investment at the present stage. However, due to the deterioration of the overall economic situation in the country, the supply of borrowed resources is substantially shrinking.[6]

In the agrarian and industrial complex of the country there was a significant regional differentiation in attraction of investment credit resources.[4] About 65% of all long-term loans and credits entering the industry are concentrated in the Central regions and Volga federal

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districts. At the same time, in many regions of Russia agro-industrial organizations practically do not use credit resources.[3]

In the cattle breeding sub-sector, the main part of the total volume of investment credits and loans, taking into account the carryover stocks of past years, accounts for following regions of the Russian Federation: Belgorod Region, Republic of Tatarstan, Kursk, Lipetsk Regions, Mari El Republic, Bryansk, Tambov, Voronezh and Chelyabinsk regions, i.e. where the most active is the construction, reconstruction and modernization of cattle breeding complexes and farms. The region-leader in this direction is the Belgorod region.[10]

Along with the traditional regions-leaders in attracting credit resources to cattle breeding (Belgorod region and the Republic of Tatarstan), in 2014, the Commission for Crediting Agroindustrial Complex of the Ministry of Agriculture of Russia approved significant credits to manufacturers of Tambov, Voronezh, Kursk, Tver regions, the Republic of Mari El, Primorsky Krai for the implementation of mega projects in the field of animal breeding. Thus, the average size of the approved loan for mega projects in pig production, for example, in the Kursk region was about 5.6 billion rubles, in the Tambov region – 5 billion rubles.

The share of producers of animal breeding products accounted for about 94% of the total investment lending sub-sector, the share of processors of animal breeding production – only 6% of investment resources. More than 42% of approved loans in 2016 accounted for shine breeding, the share of poultry farming was 31%, for other shine breeding and dairy cattle accounted for approximately the same share of credit resources (about 13%).[7]

The major volume of approved loans for the development of poultry farming is concentrated in the Volga Federal District (57%), the leaders are the Republic of Mari El and the Republic of Tatarstan. The second place in the volume of approved lending is occupied by the regions of the Central Federal District.

The main purpose of investment lending in poultry farming is the construction, reconstruction and modernization of complexes (farms) (this sector accounts for about 97% of total lending in the sub-sector). The leading regions are the Republic of Mari El, Belgorod, Bryansk regions and the Republic of Tatarstan. The main volume of approved loans for the development of dairy cattle breeding falls on the Central Federal District (59%), the second place is taken by the Volga Federal District.

The main purpose of investment lending in dairy cattle breeding is the construction, reconstruction and modernization of complexes (farms) (this sector accounts for about 75% of total lending in the sub-sector). The leading regions are the Republics of Tatarstan, Bashkiria, Vladimir, Ryazan and Yaroslavl regions. These five regions account for about 37% of all credit resources that are subsidized in the sub-sector.

In dairy cattle breeding, in contrast to poultry and shine breeding, a significant share of investment resources is spent on the acquisition of breeding products (about 15%). The overwhelming volume of approved loans in 2014 for the development of shine breeding accounts for the regions of the Central Federal District. The leading regions are the Voronezh, Kursk, Tambov regions (more than 50% of all approved credits in this direction). The main purpose of investment lending in pig production is the construction, reconstruction and modernization of complexes (farms) (this sector accounts for about 97% of total lending in the sub-sector).[1]

In general, according to the Ministry of Agriculture of Russia, in 2016 the most significant reduction in lending in the agribusiness sector was observed in investment lending in the cattle breeding sub-sector. The volume of attracted investment loans decreased by 24% compared to 2015.

In the conditions of the need for accelerated import substitution and taking into account the prevailing macroeconomic situation, it is necessary to pay special attention to the issues of preserving the volumes and availability of crediting for the agro-industrial complex:[6]

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- it is necessary to expand the refinancing channels, reduce interest rates; it is advisable to start the process of import substitution from import substitution in the markets of contingent financial resources;
- credit resources should be economically accessible, the conditions of their servicing – are unchanged for the entire period of attraction;
- It is necessary to limit the margin on loans granted to agricultural producers for banks with state participation, up to 2–3% per annum;
- it seems advisable not to abandon the existing mechanism of subsidizing interest rates on investment loans, especially for small and medium-sized businesses, by improving the form of subsidizing loans, and use it in conjunction with the mechanism of compensation for part of the cost of construction of the facility when it is put into operation;
- to provide budgetary subsidies to lending in such a volume that the final cost of borrowed resources will not exceed the average profitability in the industry.[5]

Thus, the agriculture of Russia, needs constant support from the state.

Nowadays, the state pays attention to this industry, develops various development programs, which has a positive effect on agriculture. The industry becomes profitable and thus attracts investors.

Investors who invest in quality agricultural assets are likely to find themselves in a better position due to the fundamental trends, namely, population growth and economic development.

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