

## Development of the Family Economies of the Agricultural Sector of Russia

<sup>1</sup>Tatyana Vasilyevna Savchenko, <sup>2</sup>Andrey Valeryevich Ulez'ko,  
<sup>1</sup>Liliya Vladimirovna Kiyaschenko and <sup>2</sup>Alexander Alexandrovich Tyutyunikov  
<sup>1</sup>Belgorod State University, Carl Marx Str. 65, 309805 Alexeyevka, Belgorod Region, Russia  
<sup>2</sup>Voronezh State Agricultural University Named after Emperor Peter the Great,  
Michurina St. 1, 394087 Voronezh, Russia

---

**Abstract:** The study considers the issues of classification of the small forms of business in the agricultural sector, the main models of development of the family forms of agricultural production in the Russian Federation are described that represent their intrinsic essence and target orientation, the factors constraining the development of the small agro-business in Russia are systematized, the promising trends of the possible enhancement of the potential of small business entities in the rural area are substantiated.

**Key words:** Family economies, population economies, small enterprises, small agro-business, development patterns

---

### INTRODUCTION

The family forms of the agricultural production are an integral element of the agricultural sector of economy of both developed and developing countries. Even in the pre-reform Russia oriented towards the bulk production the economies of population produced about 50% of the total volume of agricultural products. In the conditions of the transformational economy, the breach of the Kolkhoz-Sovkhoz system and the rapid decrease in the employment rate the family forms of business became one of the main sources of income of the rural population. It shall be noted that during the years of reforms the differentiation of the small enterprises increased significantly which aroused a wave of discussions concerning the issues of classification and substantiation of criteria of classifying them among one or another group (Uzun *et al.*, 2014). In the conditions of high rates of concentration of the agricultural capital and decrease in the competitiveness of the small agro business entities the studies relating to identification of the promising trends of their development gained particular relevance.

### MATERIALS AND METHODS

**Procedure:** For evaluation of differentiation of family economies it is proposed to use the strategic target orientation of the business entities as the main criterion of classification. Substantiation of the priority trends of development of the family farms is performed with

account for evaluation of the three groups of factors constraining this development: the economic environment of operation of the small business entities, the technical-engineering factors and the social position of the rural population.

**Main part:** The population households as the family forms of the agricultural production are peculiar primarily to the states of the CIS, the Central and Eastern Europe. This form of agricultural production appeared as the result of communization and was meant for self-production by farmers. Today the consumer-oriented family households are considered to be the part of the two-component farming sector and the following terms are used in the English literature for designation thereof: "household plot", "Private Household Plot" (PHP), "private plot", "personal subsidiary farming" (Deininger, 2005; Koester, 2005; Lerman *et al.*, 2002). In particular countries the quantitative criteria are introduced on the basis of which the non-market orientation of the consumer-oriented households is determined (Lerman *et al.*, 2002; PHC, 2011; Sarris *et al.*, 2004). Some researchers propose to use as a criterion of classification the amount of the standardized revenue computed as the amount of multiplication of the specific indicators of the standardized revenue by the conventional land area and the conventional stock unit (Uzun *et al.*, 2014), the area of the land plot followed, the share from the agricultural production in the income of a rural family.

The necessity of use of quantitative indicators for referring the agricultural manufacturers to one or another type of economic entities is obvious. Along with that it must be admitted that in the modern literature there is no established opinion concerning the qualitative criteria of distinguishing particular groups of family economies representing not only their scale and the marketability rate but also the intrinsic essence determining the strategy of their operation and ability of adaptation to the changeable economic environment.

The evaluation of the family agricultural enterprises in the modern Russia by their target orientation allows distinguishing the six main patterns of their development: consumer-oriented enterprise, small-scale subsidiary farms, market subsidiary enterprises, labor farms, farm enterprises based on the use of hired labor, family corporation.

The model of the consumer-oriented economy is typical to families the main earnings of which are formed beyond the household in the form of the salary, revenues from performance of business, social benefits, etc. As a rule within these economies the production is aimed not at achieving specific economic purposes but rather fulfills the social functions relating to maintenance of the traditional lifestyle of the rural population, the labor education of the rising generation, maintaining order at the rural backyard, providing the family with the clean agricultural products, etc. Running production upon implementation of this model of development at a subsidiary plot is performed at off-work time and is based primarily on the use of the manual labor.

The model of the small-scale subsidiary farming is chosen primarily by the family households that get at their subsidiary plots the relatively sustainable excess of particular categories of products and sell them at the local market; however, the income from sales has the minor specific weight in the family budget and is irregular. In terms of its intrinsic characteristics the model of the small-scale farming is close to the model of the consumer-oriented economy as the social result of their operation prevails over the economic output the labor intensity rate is determined by the efforts of the family members and the economy is subsidiary indeed.

Orientation towards the market subsidiary farming as a rule takes place upon absence of income beyond the household or in case of gaining the external income that is insufficient for sustainable existence of a family or in case of presence in the family members of the conscious business initiative. In the second case, the earnings obtained by the family members externally may be rather significant. If the multi-industry agricultural production is peculiar to the market subsidiary economies then the economies aroused due to the reasons of the second kind are primarily targeted and highly specialized. Significant volumes of the marketable products precondition the wide

integration of economies of such kind in the market environment and increase in costs related to the sales of products. High competition at the agricultural market requires the use of the mechanical equipment for increase in the labor productivity and the labor intensity is in practice limited by the physical capacities of the family members and the area of the subsidiary plot.

The model of the labor farming enterprise is typical to the family households developing agro business beyond the subsidiary plots, however, using the labor of the family members only. In the modern Russian economic literature the labor farming enterprises are often called the peasant economy in order to emphasize their labor essence. The scale of production in the enterprises of such kind is limited by the labor potential of a family; however, it may be increased by means of engagement of the third-party organizations for performance of specific manufacturing operations. Another factor constraining the growth of the production scale is the investment opportunities of a family.

A model of a farming economy based on the use of the hired labor is implemented by the farming enterprises running a rather large-scale production with engagement of hired workers. An economy of such kind in itself is close to a private enterprise and the family nature of the business is shown only through enjoyment of the title and the family production management. Most of such households represent the small business entities.

The family corporation model is chosen in cases when the scale of the family enterprise goes beyond the frameworks set by the law for the small business entities, however, control over the business operations is exercised by members of the single family.

## **RESULTS AND DISCUSSION**

It is obviously that the trends of development of each kind of the family economy are determined by the set of the external (the level of development of the public production, the unemployment rate, the level of competition, the level of the rural population income, etc.) and the internal (the level of the resource supply, specialization, the level of marketability, etc.) factors. From among this set we propose to distinguish the three groups of the so-called systemic factors constraining the development of the business entities of the family sector of the Russian agricultural economy.

The first group of factors determining the economic environment of operation of the small agricultural entities includes the disparity of prices of the agricultural products and resources necessary for manufacturing thereof; significant fluctuations of prices of the agricultural products against the sustainable rise in prices for resources; insufficient level of development of the manufacturing infrastructure servicing the small business

entities; limited access to credit resources; relatively small scale of production and capital concentration; minor share of the family households at the food markets against the relatively low demand for the ecologically clean products grown at the country farmsteads; low competitiveness as compared to the large enterprises by manufacturing of those kinds of products where the scale of production allows gaining the uncontested competitive advantages.

The second group is represented by technical-engineering factors including the low level of mechanization of manufacturing processes in the small business entities due to immaturity of the market for small tools and equipment and the low effective demand of the country entrepreneurs; absence of the farm machinery rental centers and specialized companies providing services and performing particular processing operations; absence of the specialized contractors performing construction and re-construction of the standard manufacturing facilities and the turnkey assembly of the process equipment, etc.

The factors of the third group determining the social standing of the rural population include the low business activity of the rural population; drop in the prestige of the agricultural labor and uncomfortable work and rest schedule, low level of development of the social infrastructure of settlements, etc.

Accordingly, it may sense to consider the trends of development of the small agricultural business entities in terms of the economic, production-engineering and social areas.

The intensity of building up the potential of development of the small business entities in the country under influence of the economic factors forming the external environment of operation of all business entities will be determined primarily by the consistency of measures aimed at the state support of both the peasant (farming) enterprises and the population households. The priority measures determining the implementation of this trend are the measures aimed at forming and developing the system of sales of agricultural products and the derivative products suggesting the use of the fixed prices within the limits of quotas for manufacturing of particular products. The system of the consumer-oriented procurement cooperatives created during the recent years ensured minimization of the logistic costs at the level of the business entities and increased their competitiveness, however, the absence of the advanced refining facilities, immaturity of infrastructure related to the storage and packaging of products hinder the entry of the country entrepreneurs into the final product market. In this regard, the focus in the system of the state support of the small business entities cooperation in the country shall be

shifted towards the development of the food or the sector cooperatives oriented towards realization of the entire product chain (from the ground or a farm to the shop counter) which will allow significantly increasing the share of the rural population revenue in the final cost of the products. The promotion at the market for ecologically clean products shall become the particular trend of operation of such cooperatives.

The production-engineering trends of development of the small business entities are related to the development of the material and technical base of the business entities and implementation of technologies ensuring output of the maximal quantity of products of the specified quality per a land area unit or a cattle stall. The existing prevalence of the extensive manufacturing methods along with the dominating manual labor allow getting production of the so-called 'handmade quality', however, the volume of the marketable products are minor and the revenue from the sales thereof does not suffice to feed a farmers' family. In these areas, building up of the development potential is only possible by means of creation of enterprises with a rather high level of mechanization and concentration of production, for example, the dairy-commercial farms with 50 and more animals, greenhouses with the area of no <250-300 m<sup>2</sup>, etc.

One of the cost-intensive trends of enhancement of the potential in the small agri-business sector is the development of the social infrastructure of the rural areas. By affecting indirectly the economic efficiency of agricultural production the social infrastructure ensures the conditions of formation and realization of the human capital and development of the rural society as the basic element of development of rural areas.

In the conditions of the extremely poor state support of the small agro-business and insufficient level of the government regulation of food markets the small economic entities in the country may meet the competition with the large manufacturers only in the sectors that are not very interesting to the big agro-business yet or allow getting exclusive products with exclusive properties that cannot be assured by the structures of the corporate kind. It shall be noted that another niche of development of the small agro-business is development of the industrial infrastructure facilities specializing in the servicing the business structures in the country.

Without claiming the competitive production of grain crops, beetroot and sunflower in the plant growing the small business entities may concentrate their efforts on production of potatoes and vegetables including growing the seedlings. Growing of flowers and ornamental plants, mushrooms and mycelium, medicinal herbs (including herbarization).

By the cattle-breeding specialization along with the traditional cattle and bird species (stock of cattle, pigs, sheep and goats, chicken) allowing getting significant volume of the marketable products within the family households such the potential of such industries as rabbit husbandry, breeding of turkeys, geese, ducks, quails, ostrich and fancy birds, bee-farming, fish farming and fur farm industry is rather high (Ulez'ko *et al.*, 2013).

One of the promising trends of development of the small agricultural business entities includes manufacturing of organic and ecologically clean products (Sulimin, 2012; Savchenko *et al.*, 2013).

The increase in the volume of production in the sector of the small agro-business will objectively determine the increased demand for the storage, processing and packaging of the manufactured vegetable and animal products which will create pre-requisites for organization of the processing and infrastructural enterprises including on the cooperative basis. They will include, the economic entities specializing in procurement of products, transportation thereof, milk separation, slaughter of animals and birds, product storage, packaging and processing, conservation, drying, smoking, etc.

**Summary:** For most of entities of the family economies of the agricultural sector in Russia the dominating are not the economic aspects of production related to substantiation of the most efficient alternative of use of the limited volume of resources but the social ones related to life support of the family members and maintenance of a certain lifestyle. Along with that in conditions of the enhanced differentiation of family households the share of entities oriented towards development of the commercial production is increased against the sustainable reduction in the number of the consumer-oriented households. In the medium-term, the sector of the small economic entities will remain the significant element of the agricultural structure of the Russian economy and employment at the agricultural production will remain the main source of income for the rural population.

## CONCLUSION

Taking into account the strategic orientation of the family households the 6 main models of development of entities of the country family economy in Russia may be distinguished: consumer-oriented enterprise,

small-scale subsidiary farms, market subsidiary enterprises, labor farms, farm enterprises based on the use of hired labor, family corporation. The potential of development of the small economic entities in the agricultural sphere depends on the state of their operating environment and is formed based on the opportunities of the economic, production engineering and social development.

## REFERENCES

- Deininger, K., 2005. Agrarian reforms in eastern European countries: lessons from international experience. *J. Int. Development*, 14: 987-1003. <http://siteresources.worldbank.org/DEC/Resources/jid02.pdf>.
- Koester, U., 2005. A revival of large farms in Eastern Europe-how important are institutions? *Agric. Economics*, 32: 103-113. <http://onlinelibrary.wiley.com/doi/10.1111/j.0169-5150.2004.00017.x/full>.
- Lerman, Z., C. Csaki and G. Feder., 2002. Land Policies and Evolving Farm Structures in Transition Countries. World Bank, Washington, DC., pp: 176. <http://www.eastagri.org/files/wb-land-transitioncountries.pdf>.
- PHC, 2011. Definitions of the 2011 Population and Housing Census in Estonia. <http://www.stat.ee/59025>.
- Sarris, A., S. Savastano and C. Tritten, 2004. Factor market imperfections and polarization of agrarian structures in Central and Eastern Europe. *Studies on the agricultural and food sector in Central and Eastern Europe*, 25: 84-100. [http://www.iamo.de/dok/sr\\_vol25.pdf](http://www.iamo.de/dok/sr_vol25.pdf).
- Sulimin, V.V., 2012. Small agro-business: priority trends of development. *Agric. Food Policy of Russia*, 5: 44-47.
- Savchenko, O.V., Ulez'ko A.V. and L.V. Kiyaschenko, 2013. Family farms in the system of sustainable development of the rural areas. Voronezh, VGPU, pp: 174.
- Uzun, V., Mary and S. Gomez and Paloma, 2014. Prospects of the farming sector and rural development in view of food security: The case of the Russian Federation. EUR 26256, Joint Research Centre, Institute for Prospective Technological Studies, Luxembourg: Publications Office of the European Union, pp: 138. [https://ec.europa.eu/jrc/sites/default/files/final\\_onlin\\_e\\_jrc85162\\_russia.pdf](https://ec.europa.eu/jrc/sites/default/files/final_onlin_e_jrc85162_russia.pdf).
- Ulez'ko, A.V., N.G. Nechayev, I.S. Sokovykh and A.V. Klimov, 2013. Economic entities of the agricultural sphere: resources' provision and innovative development. Voronezh, VGPU, pp: 278.