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## Government Control of Agrarian field of Economics in the Conditions of Global Challenge and Threats

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**Abstract:**

*Political, economic and social importance of agrarian problems in the Russian Federation has received extremely sharp sound associated with ensuring food security, import substitution of food which requires reasonable macroeconomic and financial government management, including the adaptation of modern measures of government regulation of rural development to the new economic conditions. In this regard, the economic science once again faces with the task of understanding and studying of the theoretical positions and methodological approaches to the development of a new agricultural policy, to the search of optimal forms and methods of government influence on the agricultural market, building a system of cooperation between government, business and the peasantry on the basis of maximal coordination of mechanisms of government regulation of the agrarian sector with the motivational structure of the rural population in terms of adaptation to modern agricultural methods and tools of influence. This article contains the argumentation of the provisions on the development of the system of government regulation of the agrarian sector of the Russian economy in the new economic conditions that will ensure import substitution, increase in the competitiveness of Russia in the global food market.*

**Key Words:** *Agrarian field of economics, public policy of rural development, measure of government regulation, instrument of negotiation threats*

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## **1. Introduction**

### **1.1 Introduction to the Problem**

The market economy and its mechanisms of competition, the desire to acquire the highest possible profit, competition of corporations and countries, the presence of conflicting interests, etc. turn such suggestions on the development of the economy as the coordination in the era of globalization, into utopian projects and studies.

International institutions and companies are unable to prevent wars and crises. The crises are becoming more complex, due to the complexity of the technological, financial and political relations in social and economic systems. Moreover, the crises turn into a self-sustaining process, reminding the vicious circle because of the uncertainty of the causes and cause-effect relationship and the ineffective regulation mechanisms to go out of them.

Among other things, the situation is exacerbated by the new USA approaches to its security, international relations and international law in general.

The reality requires another paradigm shift in the relationship between the government and the economy. This is possible through the creation of a system of countries responsibility before their citizens, the development of an effective system of national economic security in the context of globalization, the implementation of government measures aimed at ensuring a certain level of social guarantees and the introduction of special modes of operation for some particularly vulnerable sectors, for example, agriculture.

### **1.2 Importance of the Problem**

As it seems in the short-term perspective, the problems of national economic security, and especially the food problem will take a dominant place in the economic policy of most countries of the world, aimed at overcoming the macro, natural, agro-ecological, technological, political, social, trade and economic risks.

Unfortunately, the world food situation is steadily worsening. Over the past 5 years, the number of hungry people in the world increased by nearly 70 mln. And the quantity of unused natural resources that could be involved in agricultural production decreases. According to calculations of FAO, these resources are located in Brazil, USA, Canada, Russia and Australia (Roger, 2004).

The agricultural potential of Russia is really quite high. Our country has abundant natural resources for the development of highly efficient agricultural production: 9% of the global productive plough land (1.43 hectares of agricultural land per capita), more than 50% of the world black earth, 20% of fresh water.

But we still not only practically do not export food overseas, but also import in the country (in fact, contrary to common sense) more than 20% of the food consumption (national milk production is 76.6% (determined by the Food Security Doctrine 90%),

meat - 77.5% (85% respectively). Food imports in Russia have long been higher than the limit threshold of food security. In this case, as we know, it is not just a complement of domestic production, but contributes to its suppression, it leads to a decline in agricultural production.

August 22, 2012 Russia entered a new economic reality, becoming the 156th member country of WTO. In the fall of 2014 the "Ukrainian" events began as well as the subsequent events of this "food sanctions".

In this regard, in the Russian economy there are a number of problems, which in their turn are caused by the current conditions of food security in the country. As its foundation is the effective agricultural production, so respectively, the level of development of agricultural production, which is extremely low, is the level of profitability of the majority of agricultural producers, severe demographic and personnel situation in rural areas, etc.

In this situation it seems necessary not just to make amendments to the modern system of government influence on the agricultural production, but to make deep changes. It is necessary to build a system of cooperation between government, business and the peasantry on the basis of maximal coordination of the mechanisms of government regulation of development of the agrarian sector with the motivational structure of the rural population in terms of agricultural adaptation to its methods and tools.

### 1.3 Background

The basis for forming its own position on the development of the system of government regulation of agriculture in the new economy were the works of such foreign scientists of traditional economics as Keynes (1930), Buchanan (2003), Marshall (1890), Marx (2005), Muller-Armack (1973), Coase (1988), Eucken (1989), Hayek`s (1944), Stiglitz (1989), etc.

Previous stages of the national economic and agro-economic sciences development also had a positive influence on the creation of a theoretical and methodological base of effective government regulation. In this regard, a very great scientific interest for us is in the works of prominent scientists, among them are: Tugan-Baranovskiy (1996), Kondratyev (2002), Bratskus (2012), Kubanin (1940), Chayanov (1928), etc.

In scientific researches of theoretical, methodological and practical issues of government regulation of the agrarian sector of the economy, we relied on the works of such renowned scientists and economists as Venzher (1979), Krylatykh (2003), Leontiev (2006), Lukichev (1999), Nikonov (1995 ) Ovchinnikov (1999) Paptsov (2005) Petrakov (1998) Uzun (2002) Ushachev (2013), etc.

However, this subject is so multidimensional, macroeconomic conditions for the functioning of the agricultural sector are so volatile, that some aspects of

government regulation of the agrarian sector of the economy in terms of food security and food independence of Russia on the basis of expanded reproduction in the agricultural sector in relation to the new economic conditions are still developed inadequately.

#### *1.4 Hypotheses and their Influence on the Research*

Working hypothesis of the study is to strengthen the government's role in regulating the development of the agrarian sector of the economy in the face of global challenges and threats. The study is devoted to the justification of a new mechanism of government regulation of the agrarian sector of the economy, for which it is necessary to solve a number of conceptual tasks:

- to prove theoretical positions and methodological approaches to the development of new agricultural policy;
- to analyze agricultural development and food security of Russia in the new economy;
- to identify issues of government support of the agrarian sector of the Russian economy;
- to make an algorithm of developing an effective system of government regulation of the agrarian sector in the face of global challenges and threats.

## **2. Methods**

The study was conducted based on information from the Federal State Statistics Service of Russia, legal acts and policy documents, analytical reports and reports of the Ministry of Agriculture of the Russian Federation. Systematization of theoretical sources was made in conjunction with the processing of statistical information on rural development, the dynamics of social and economic indicators in the Russian Federation with the use of special methods.

### **2.1 Statistical Methods**

The official data of the Federal State Statistics Service of Russia was the information base for the study, describing the development of agriculture at the national level, the subjects of the Russian Federation, allowing identifying the level and trends of major agricultural indicators. The database is processed using an analytical method. It is possible to determine the main factors influencing the food security in Russia, to analyze key indicators of the development of agriculture in Russia for the period 2011-2013.

### **2.2 Method of System Analysis**

For assessment of the factors affecting the food security in Russia, as well as measures of government support of the agrarian sector the system analysis was used, allowing assessing the strengths and weaknesses, opportunities and threats of the main agricultural development of the country in increasingly globalizing social and economic processes. On this basis proposals for the development of an effective

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system of government regulation of the agrarian sector in the face of global challenges and threats were proved.

### 2.3 Program Method

To assess the level of government support of the agrarian sector of the economy the program method was used which allowed identifying the main strategic priorities for the future development of the industry.

## 3. Results and Discussion

### 3.1. Problems of Russian Agriculture in the new Economics

On the present level of development of agricultural production in the conditions of entry of Russia into WTO, "food sanctions", the provision of decent quality of life for Russian citizens by ensuring high standards of life necessities based on rational food is an impossible task. Today, the share food expenses in Russian households reach 50-60%. Food by rational standards according to various estimates is available only for 10-20% of the population.

Russia in general is experiencing a difficult economic situation, which has led to the emergence of new macroeconomic risks for national agriculture. The country's agriculture has to work in new tough conditions. The prices for energy, material and technical resources, including mineral fertilizers are increasing. The costs for construction and reconstruction of industrial and infrastructure facilities are also increasing, which may further limit the investment attractiveness of agriculture. The purchasing capacity of the population is reduced. One can expect the bankruptcy of many agricultural organizations. For reference: the profitability of the majority of the agricultural producers now is very low: excluding grants (2011) - 2.1%. Payable accounts are 27,880,000 USD, which is more than the annual revenue from the sale of agrarian products and more than 13 times of earnings.

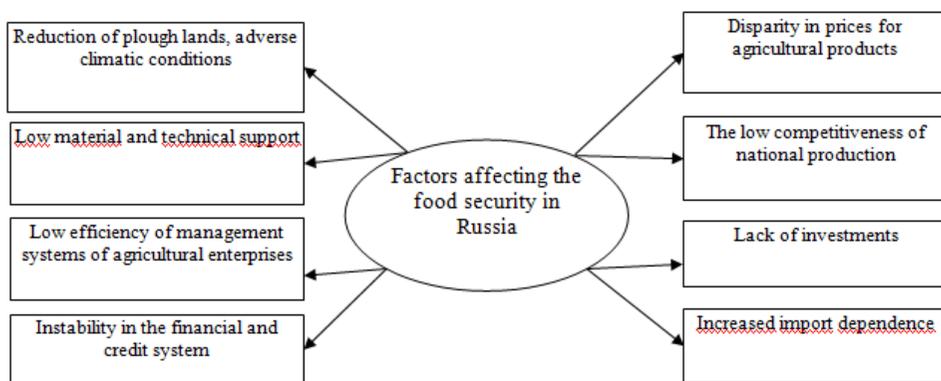
Despite the fact that our country has abundant natural resources for the development of highly efficient agricultural production, most of it is located in zones of risky agriculture: on average, each hectare of plough land is 2.2 times less productive than in the USA, and 2-2.2 times worse than in the EU (Gardner, 2006).

In rural areas, number of jobs is steadily declining, the standard of living of the rural population continues to decrease, there are profound demographic problems. The average salary in agriculture is 52% of the national average. (Ushachev 2013)

In this situation, Russia has entered the WTO, which requires a total ban on the use of export subsidies, reducing the level of government support to national agriculture. And this is despite its much lower level today. We can't deny that Russia's accession to WTO provides certain advantages for the Russian farmers. These are: the opening of new markets for Russian exporters on the basis of the spread of most favored nation treatments and the recognition of the market status of the Russian economy. (OECD, 2014).

However, it is impossible not to recognize that the risks and threats are much greater. And it is not only that most of the country's farmland is located in the zone of risky agriculture, material base and technological equipment (agricultural machinery load on average in Russia in 2 times higher than the standard) still not recovered, amelioration systems, selection systems, seed systems and so on are destroyed, this is - above all - the economic and social position of the Russian agriculture. There is a low profitability of agricultural production. Farmers do not believe in the best, and this is very important. There is no motivational orientation on the success.

The food security of the Russian Federation is currently influenced by many factors stopping the effective development of national food production (Figure 1).



**Figure 1.** Factors affecting the food security in Russia

For national food production adverse economic conditions and the growth of the dollar and euro exchange rates are maintained. The sharp weakening of the national currency creates additional stimulations for national manufacturers, but the rising cost of imported food can lead to deterioration in the general level of food independency.

Currently, there is a high dependence of the Russian economy on food imports. But thanks to the efforts of the government of the Russian Federation and the Ministry of Agriculture these consequences have been smoothed and the agricultural enterprises become more stable.

As a result, over the past three years, there was an upward trend in the volume and efficiency of agricultural production (Table 1).

**Table 1.** Main indicators of agricultural development for 2011-2013, Russia\*

Indicators	2011	2012	2013	2013 % to 2011
Agricultural production, bln. USD.	57,8	58,21	66,06	114,3
incl. crop production	29,68	28,51	35,14	118,4
animal production	27,15	29,69	30,91	113,6
The index of agricultural production by types of farms, %	123,0	95,2	106,2	86,3
Number of profitable companies, total thousands.	5,1	4,5	4,0	78,4
% from total number	77,4	73,2	77,4	100
Profits, bln. USD.	2283,81	2717,04	2248,94	98,5
The average monthly nominal salary, USD.	227,99	260,96	293,98	128,9
Investments in fixed assets for the development of agriculture, mln. USD.	4476,76	4815,20	5086,7	113,6
% to the total investments	3,0	2,9	3,1	103,3

\* According to Federal State Statistics Service

As it is shown in Table 1, indicators of agricultural development in recent years have tended to increase. For example, agricultural production in recent years has increased by 16.2% (or 9.22 bln. USD), and this positive trend will continue for the crop production (18.4%) as well as for animal production (13.6 %). Though the number of profitable companies has decreased (1100), their share in the total volume of the organizations has remained at the same level (77.4%). This figure has affected a small cut of the profits, which was equal to 2,248,940,000 USD in 2013, which is 1.5% lower than in 2011. The average salary indicators increased by 28.9%, showing some satisfaction with the life standards of the rural population. Investments to fixed assets for the development of agriculture tend to increase and were equal to 5,086,700,000 USD in 2013, which is 13.6% more than in 2011.

### 3.2. Threats and Risks for the Development of National Agriculture Caused by the Globalization Of social and Economic Processes

Ensuring the food security is associated with risks and threats which may weaken it. The risks should include macroeconomic risks, natural and man-made risks, technological risks, agricultural and environmental risks, social risks, trade-economic risks, political risks.

The main threats to food security in Russia for the development of national agriculture are the following:

- the number of small business patterns decreases, there is a concentration of production in large companies and holdings;

- the most of the largest agricultural producers directly or through a number of legal entities include companies registered abroad (equity stakes from 36 to 99%);
- not implemented land reform in the North Caucasus republics creates the conditions for the mass shadow land turnover;
- existing legislative restrictions on the concentration of agricultural land in the hands of one person does not act, the collection of data on land concentration is not adjusted (Figure 2).



**Figure 2.** Threats to food security in Russia

It's hard to assess these threats for the development of national agriculture in the context of global processes in practice, but it is necessary to identify the extent of these phenomena and to make the adjustment of public policy, taking into account today's reality:

- to accept special legislation regulating the relationship of the big landowners, who has already violated antitrust laws, and farmers who rent their land.
- to perform the transition from the categories of lands to the agricultural zoning not from a specific date for the entire country, but after the completion of the work in each subject of the Russian Federation, etc.

3.3. The current system of Government Regulation of Agrarian Sector of Economics  
One of the main mechanisms of government regulation of the agricultural sector of the Russian economy today still remains the interest rate subsidization on loans. At the same time the total volume of financing from the federal budget for the implementation of the State program of agricultural development for 2013-2020 years (2012) over the next eight years is 33.1% of the funds, which will be allocated for development of animal production, 30.9% is on the crop production, and the

remaining funds will be distributed among smaller routines. And only 1.46 bln. USD or 5.5% of the total volume are designed to assist small business patterns, currently the predominant part of the government support in Russia is aimed at major producers of agricultural products.

The State program of agricultural development for 2013-2020 years was adopted in July 2012. Expenses on agriculture increased to 9.2% of the expenses part of the federal budget, which was equal to 2.77 bln. USD. Estimated development goals of national production, which were set as a proportion of the total resources spent should be achieved by 2020. On grain - 99.7%, on beet sugar - up to 93.2%, for meat and meat products - 88.3%, for milk and dairy products - up 90.2%. The program focuses on the development of animal production, especially on the production of milk and dairy products.

In connection with the accession of the Russian Federation to the WTO the schedule of gradual reduction or cancellation of import duties on a number of agricultural products has been designed, but at the same time there are still tariff quotas and high tariffs on imports of meat and meat products on excessing volumes. Simple bound rate for agricultural products is set at 10.8%, which implies a decline of 3.5% of the current average rate which is 14.3%. (Russia's accession to WTO: the expected impact on the development of agriculture. Analytical Review 2005).

In respect of internal support of the agrarian sector of the economy, which is estimated in the form of aggregate measures of support (AMS) as a tool in terms of trade distortion, commitments were made on subsidies contained in the "yellow box" (Mahul et al., 2010). Allowed access for these subsidies for 2012 was set at \$9 bln. USD, followed by a decrease to 4.4 bln. USD, which corresponds to an average volume of AMS for Russia over period 2006-2008. In 2008, actual AMS was equal to 5.65 bln. USD, 5.6 bln. USD of which did not actually relate to any specific production. The main share of AMS fell on soft loans to agriculture - 1,6 bln. USD. (OECD, 2010)

Taking into account the low competitive capacity of national agriculture, the low competitiveness of agricultural products, this is not enough for the large-scale modernization of the agricultural sector of the Russian economy. Moreover in the first years of the accession of Russia into the WTO the higher support was authorized, though budget spending for these purposes do not go beyond 2.27 bln. USD.

According to the WTO rules all the internal support measures of the agricultural sector are divided into so-called "baskets". (Shepitko, 2013)

In the "green box" measures there are general services; public storage of stocks of goods for the purposes of food security; internal food aid to indigent segments of the population; income insurance and compensation schemes for loss of income; disaster

relief; assistance in restructuring programs using compensation programs for "resignation" of the manufacturers; assistance in the restructuring with a program of compensation for the refusal of using resources; assistance in restructuring through investments; program in the field of environmental protection and nature conservation; program of assistance to manufacturers in disadvantaged regions. Measures of the "green box" were accepted without restrictions, because it did not relate to the production and did not distort trade. Upon accession to the WTO, the government provides information about the filling of the basket, but does not accept liability for its reduction. The government is entitled to fund mentioned directions in any volume, based on the capabilities of the budget.

In Russia, "green box" measure exists, though in a very limited scale. In particular, the following areas of support are still not well developed: compensation for the reimbursement to manufacturers of agricultural products, undergoing restructuring associated with exclusion of land and other resources (animals) from the sphere of agricultural use, assistance in connection with the release of the peasants to retire or transfer them to non-agricultural activities, etc.

The measure of government aid as assistance for farmers in disadvantaged regions should be particularly noted. According to the rules of WTO, the government has the right to provide unlimited support to the regions recognized as unfavorable for agriculture. In Russia such regions can be found in many areas. In 2013, the federal law dated 23.07.2013 No.236-FZ "On Amendments to Art. 7 of the Federal Law on the development of agriculture" was adopted. It provides the criteria for determining the areas with unfavorable conditions for agriculture with a view to further support and is aimed at adapting the economy under the Russian Federation's WTO membership.

In addition, another WTO rule should be noted: the country is not obliged to consider AMS when calculating the total amount of its current value and is not obliged to reduce product-specific domestic support which would have to be taken into account if it does not exceed 5% of the total cost of the basic agricultural product of an appropriate year for developed countries and 10% for developing countries, as well as non-oriented product-specific domestic support which would have to be taken into account if it does not exceed 5% of the total value of all the agricultural products in developed country and 10% in developing countries - (OECD, 2014).

Moreover, direct payments under production-limiting programs are not subject to obligations to reduce domestic support for the agricultural sector if such payments are:

- based on fixed area and harvest in crop production and fixed population in animal production,
- made in respect to not more than 85% of the baseline production.

Thus the Russian Federation has a considerable reserve of not only unabridged government support for agriculture, but also of its increase due to such areas as support for the development and implementation of researches, education, information and advisory services, veterinary and phytosanitary measures, the spread of market information, improvement of the infrastructure, maintenance of strategic food reserves, the implementation of regional development programs, crop insurance and compensation for damage from natural disasters, help for the restructuring the agricultural production, rural development consulting, improved pensions, etc.

That is what many developed Western countries which are the members of the WTO do, reducing only certain types of support, using hidden forms of support to their producers, for example, funding scientific researches, the increasing complexity of standards etc. (Loza, 2013).

As a result, despite WTO measures on trade liberalization in OECD countries, the support for agricultural manufacturers in recent years is not decreasing but increasing. In general, in developed countries, about a third of the income of farmers forms the government subsidies received as direct payments. This means that a third of the price of agricultural products is budget-supported. Unfortunately, government aid for agricultural manufacturers in Russia is only at the level of developing countries. In economically developed countries there is more ambitious budgetary aid, support for agricultural infrastructure. Support services provided for the industry, the financing of agricultural science, education, information and advisory services for agricultural producers, for example, is 4-5 times higher than in Russia. Moreover, unlike in Russia, in America or in the European Union, no one disputes the need for and the importance of supporting the rural areas. It is perceived as something given, although the conditions for the development of agriculture (climate, machinery etc.) there are much more favorable. (Seregina 2002).

Measures of “blue box” do not affect the growth of supply of products in the international agricultural market; they provide direct government payments related to production: crop areas or farm stock. These measures were designed to justify compensatory payments in the EU to reduce the production of grain, beef and dairy products (Orden et al., 2007). In the short term, in the national agricultural sector “blue box” measures don't seem to be widely used as the challenges our farmers are facing with are somewhat different from those in countries with highly developed agriculture which is an increase rather than a reduction in production volumes.

“Yellow box” or “amber box” suggests support measures related to the production through the price of agricultural products. These include price support, marketing loans, payments from the area of farmland, payments based on the number of animals, subsidies for production (seeds, fertilizers, electricity, etc.), separate programs of subsidized loans. These measures are aimed at stimulating of the agricultural production and therefore understood as distorting the market and should be considered for the preferred elimination.

Measures of “amber box”, aimed at the increasing the agricultural production and thus, according to members of the WTO, distorting international trade, are subject to gradual reduction, whereas measures of “blue box” (to reduce production) and “green box” (not stimulate an increase in production) may be used by countries with no restrictions (Thilmany et al., 1997).

In other words, WTO rules require only certain cuts of measures of agriculture, which have a negative impact on the effectiveness of international trade, but the government still has a fairly wide range of measures to support the agricultural sector in reserve. It is where to be found today the possible ways of increasing the size and efficiency of government regulation of agricultural development of the Russian Federation.

#### 3.4. Strategic Priorities of Agrarian Policy

Under new economic conditions for Russia it is particularly important to be independent in the matters of solving the food problem, which should be achieved through the efficient use of natural resources, manufacturing and human potential of the country through effective agrarian policy with different economic (and non-economic) methods and tools for influence, including a system of subsidies and compensation, tax exemptions, tariff reductions on agricultural manufacturers consumed resources, credit and insurance compensated from the budget, a permanent and stable support for the less monopolized agrarian sector by the redistribution of income from a monopolized industry and other sectors.

We offer the development algorithm for an effective system of government regulation.

Firstly, in the Russian Federation the peasant concept should be developed, in which respect for peasant labor through priority of the agricultural sector must be clearly defined. The agricultural sector should become finally a priority and strategic direction of public policy and protectionism must be perceived by society as a natural compensation for unavoidable losses of the agricultural sector in the market. Secondly, it should be found out what is needed and what can the government do in relation to the agricultural sector as a complex system developing according to the laws of self-organization in their specific forms in this period in the new economy. Thirdly, determined rationally required (in terms of achieving the development goals) and rationally possible (based on the government (budgetary) capacity) levels of government regulation with the selection of specific measures.

Fourthly, according to the nature of the existing stable functional connections “resonance zones” of influence may be found, through which the mechanisms of self-organization can be used, to give a significant effect arising from the collective action of independent elements of the system in order to modernize the sector.

In accordance with that, to provide a real “breakthrough” in the agricultural sphere of the Russian Federation the limited financial resources of the state should be sent to the priority areas for the development of regulation in “resonant zones” as a set of developing and expanding sub-sectors of agriculture, placed in a certain area and able to activate economic activities, cause social “revival” in the entire zone of influence. These development zones should be formed in each subject of the Russian Federation. Their composition may include one or more businesses municipalities. Through the impact on these areas in Russia, it can likely be avoided by the option of the “catch-up development”.

We believe that one of the first declarations in the selection of measures of government influence on the development of agriculture should be the provision about the need to achieve an equitable price level with respect to the agricultural manufacturers corresponding to the parity of intersectoral exchange. Hence comes the definition of rational and necessary and rational-possible level of government influence on the development of the agricultural sector, in the scientific studies it is necessary to begin establishing a minimal threshold level of market prices below which they cannot go down, determining the indicative price (taking into account the upper and lower limits of market fluctuations), which the government must guarantee due to budgetary funds. This result should be the basic idea of government regulation of the agricultural production in the modern Russia.

In addition, in order to optimize the price regulation in the agrarian sector of the economy it would be appropriate to have an active influence of the government on the pricing of natural monopolies in favor of the agrarian sector through the establishment of preferential prices and tariffs for their services, as well as resource-producing industries by introducing progressive tax rates for exceeding the maximal level of profitability. This will create conditions not only for the expansion of resource consumption by agriculture, but also for improvement of the competitiveness of national industrial products in the domestic and global markets. (Zhitkova 2007).

The most effective measure of government regulation of agricultural production in the current conditions at the level of a particular region may be the stimulation of investment activities in agriculture. Subsidizing the losses of agricultural companies has almost no effect on the growth of agricultural production. This is partly due to the imperfection of the existing system of subsidies, but this is largely due to the fact that grants are made in favor of the companies that have difficulties with production and sales. The amount of subsidies is increased in unfavorable agricultural years and reduced in favorable. Such smoothing the financial results serves only to neglect agricultural risks assumed by the government. (Mazloev 2012).

And there is another important factor: in the current situation government support measures permitted by WTO rules should be used. Moreover, at worst case of the development of international situation, Russia has the right to consider the

possibility of changes in the obligations to WTO and to make adjustment of customs tariff regulation on particularly sensitive products.

In the recovery of the agricultural sector of the Russian economy the following specifics and inhomogeneity of the motivating structure of modern peasantry should be taken into account: formation of descending negative motivation, changing in the system of values and priorities, the emergence of feelings of uselessness, inferiority, despair. In this regard, we offer an algorithm which is necessary for the revival of agrarian sphere of motivational mechanisms: government regulation of agricultural sphere - government ideology to return respect for peasant labor - the transformation of economic interest to a real instrument of government influence - the creation of associations to defend the interests of peasants. Through the active influence on the development of rural areas, revival of traditions of the Russian peasantry the formation of modern enterprising peasant happens, and with it the restoration of agriculture in general.

Complex use of all the proposed measures to create a rational system of government regulation of the agrarian sector of the economy will greatly improve the efficiency of national agriculture, provide the food security on this basis and food sovereignty of the country as the basis of social well-being.

#### **4. Conclusions**

In the context of increasing globalization of social and economic processes with the simultaneous increase in hyper competitiveness there is an urgent need to modify the economic role of the government in rural development. In the short term the issue of food security will take the dominant place in the economic policy of the majority of the countries of the world.

Russia has considerable agricultural and natural potential for the development of highly efficient agricultural production, but so far has almost no export of food. The level of food safety in Russia exceeds a threshold value. However, thanks to the efforts of the Government and the Ministry of Agriculture the situation has been improved and some stability has been given to agricultural business.

In recent years, there have been positive trends to growth in the volume and efficiency of agricultural sphere. It is connected with the adoption of a series of strategic legal documents on development and support of agriculture in Russia: "State program of agricultural development for 2013-2020 years.", the doctrine of food security, the Federal Law dated 23.07.2013 No. 236-FZ "On Amendments to Art. 7 of the Federal Law on agricultural development", etc.

The Russian Federation has joined the WTO. In these circumstances, the government should take all the necessary measures to protect national manufacturers and adapt them to the conditions of membership of Russia in WTO. We propose an

algorithm to develop an effective system of government regulation: the process of finding “the resonant zones”, stimulation of investment activity in agriculture, establishing a minimum threshold level of market prices, the adjustment of customs and tariff regulation for some products, etc.

Government support should be placed in the center of the whole system of measures to ensure the level of consumption of the country population of high quality, biologically full, safe ecologically and genetically food products in line with the physiological needs of a certain age and gender. Shortfall in supply of rational standards nullifies all other categories that determine the level and quality of life. These issues will be devoted to further scientific research of the authors of this publication.

### **Acknowledgments**

Authors would like to thank the Russian Humanitarian Foundation provided financial support for the research in the form of grants №14-12-13025 “Tools for overcoming threats for agricultural development in the region in terms of Russia's membership in WTO”

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